ANNUAL REPORT 2022

MARCH 27, 2023

SOLOMON ISLANDS ELECTRICITY AUTHORITY TRADING AS SOLOMON POWER

Our Vision:

energising our nation.

Our Mission:

To provide a safe, reliable, affordable and accessible supply of electricity to the Solomon Islands

Our Values:

- ***Respect for our customers and our people***
- ***Improvement through change and innovation***
- ***Meeting our service quality commitments***
- ***Care for the environment***
- ***Individual responsibility for our actions***
- ***Honesty and Trust***
- ***Teamwork***

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Letter to the Ministers

Date 31st March 2023

The Honourable Bradley Tovosia MP
Minister of Mines, Energy and Rural Electrification
P O Box G37,
Honiara,
Solomon Islands

&

The Honourable Harry D. Kuma MP
Minister of Finance and Treasury
PO Box G26,
Honiara,
Solomon Islands

Dear Honourable Ministers,

SOLOMON ISLANDS ELECTRICITY AUTHORITY (Trading as Solomon Power) ANNUAL REPORT 2022

On behalf of the Board of Directors of Solomon Power, I have the honour to submit to you both the Authority's Annual Report, in accordance with section 25 (I) of the Electricity Act, Cap 128, and section 14 (1) (a) (b) of the State Owned Enterprises Act 2007.

The report incorporates audited Statement of Accounts and the major developments, activities and achievements of the Authority for the financial period.

On behalf of Solomon Power, I thank you both for your on-going understanding and cooperation and look forward to your continuing support.

Yours faithfully,

David K.C. Quan OBE
Chairman

2022 HIGHLIGHTS

- Sustained the reliability of power supply in Honiara and the Outstations
- Sustained G-1 operation in Honiara and Outstations
- Completed major overhauls of the four MAN Diesel Generators
- Commenced Crane Systems Upgrade Project for Lungga Power Station
- Commenced Diesel Generator Upgrade Project for Honiara Power System
- Implemented the SP Corporate Strategy 2022 - 2027
- For Tina River Hydropower Project
    - All detailed designs for both Transmission Lines and Lungga Gantry has been completed and initiate implementation for procurement of Consultants and Infrastructure Works Contract.
    - SIEA has received a consolidated claim for costs and time delays under the Power Purchase Agreement since 2020 till 2022 from Tina Hydropower Limited which now allows SIEA to commence its assessment and be able to land to a claim settlement anticipated for first half of 2023.
    - Completed Tina 11kV/415V network extension under Community Benefit Sharing Program and have connected a total of 141 households.
- The Output Based Aid (OBA) Programme continued under the Solomon Islands Electricity Access & Renewable Energy Expansion Project (SIEAREEP) with 369 additional OBA customers connected and energised in 2022. Total of 2,563 customers have been connected under the SIEAREEP program. As at end of 2022 there are 5001 OBA customers.
- 11kV/415V line network extensions were completed in Tina and Henderson Fighter 1, in Guadalcanal Province, Jericho 2, Nine Ridge, Forest Valley, Lungga, Tinge-Hatanga, Tavagalo, Tasahe in Honiara, Namobaula, Kilufi, Kwainaketo, in Malaita Province, Noro NFD and Buala Munda in Western Province & Supizae in Choiseul Province.
- Increase our customer base by 4% to 25,457
- Partially commissioned Kirakira, Tulagi and Munda Solar Hybrid Projects.
- Completed Honiara Power Station Site Upgrade Project.
- Completed Buala Hydro fore bay Repair Project.
- Launched the JICA Renewable Energy Roadmap with MMERE for 100% renewable energy in Honiara by 2030
- Established a Business Development Unit to look into other revenue opportunities for Solomon Power
- Solomon Power Offices
    - Completed and opened Noro Office
    - Relocated from office space at Hyundai Mall to Anthony Saru Building
    - Continued with construction of office building at Lata
    - Continued with land acquisition for Auki office.
- Implemented SP Covid 19 Policy.
- Continued with the $1m Sponsorship of the Solomon Islands Football Federation's "Iumi Play Program".
- Continued our focus on safety, nurturing and mentoring of staff
- Continued the apprenticeship & succession planning activities

PLANS FOR 2023

- Further improvement in the reliability of electricity supply in Honiara and at the Outstations
- Sustain G-1 operation in Honiara and at the Outstations
- Further efforts in addressing Electrical Losses in the Power Systems
- Implement New Diesel Generation Project for Lungga Power Station
- Progress Old Lungga Electrical Upgrade Project
- Progress Crane Upgrade Project for Lungga Power Station & the Workshop Building
- Progress and commission Vara Creek 11kV relocation works
- Implement Vegetation Management project for Honiara

- Implement Pole Inspections Program which includes defect identification and elimination
- Implement Scheduled major overhauls of L7 Wartsila and L10 Niigata generators
- Commence L9 Mitsubishi generator main alternator repairs assessments.
- For Tina River Hydro Project
    - Closing three (3) remaining Conditions Precedent, implement procurement of Consultants and Infrastructure Works Contract for 66kV Transmission Lines; and
    - Continuous stakeholder engagement with SIG, Lenders and THL to address project constraints to enable start of construction of Hydropower Facility and Access Roads.
- Progress with the following Renewable Energy Projects
    - Solar Hybrid conversions at Kirakira, Lata, Malu'u, Munda and Tulagi
    - Mini-grids at Hauhui, Namugha, Sasamunga and Vonunu
    - Contract award, detailed design & installations for Tanagai 1 MW Solar Farm
    - Contract award, detailed design & installations for five (5) Mini-Grid at Baolo, Bina, Dala, Tingoa and Visale project.
    - Detailed design & installations of 2 MW Solar Farm at Henderson
    - Detailed design & installations of 220kW rooftop Solar Farm at Ranadi Head Office building
- Progress with constructions of Sixteen (16) network extensions in Honiara & in the Provinces
- Progress with OPGW & ADSS SCADA Project.
- Progress with Green Village - Building Works (Site Prep, Groundworks, Bulk Filling & Compaction, Retaining Walls, Fences and Gates)
- Commissioning of Kukum Highway Upgrade Project Phase II
- Commissioning of Buala Power Station Civil upgrade Project
- Commissioning of Buala Electrical Upgrade Project.
- Commissioning of a Data Centre, Control Centre, and Call Centre Building at Lungga Power Station
- Commissioning of a substation enclosure for East Honiara Substation
- Detailed design & installations of Honiara SCADA project
- Develop more new network extensions in Honiara and at the Outstations
- Solomon Power Offices
    - Complete and open office at Lata
    - Land acquisition for Auki office and commence construction.
- Continue focus on safety, training, nurturing and mentoring
- Continue with apprenticeship and succession planning activities.

About Solomon Islands Electricity Authority (trading as Solomon Power)

Who we are
Solomon Islands Electricity Authority (SIEA) trading as Solomon Power is a State Owned Enterprise.

Our objectives
Under Section 4 of the State Owned Enterprises Act, the principal objective of the Company is 'operate as a successful business', and to this end, be:
• As profitable and efficient as comparable businesses that are not owned by the Crown.
• A good employer.
• An organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates.

To meet these objectives, SP strives to

Be as profitable and efficient as comparable businesses by:
• Within the Electricity and State Owned Enterprises Acts, installing, operating and maintaining electricity supply systems that meet the needs of connected customers.

- Developing and implementing capital investment plans, to improve electricity system performance and increase the network coverage of agreed areas.
- Seeking to recover efficient costs of the service provision.
- Improving the efficiency of services, whilst improving asset reliability and availability.

Be a good employer by

- Maintaining a well-qualified and motivated staff.
- Adopting HR policies that treat employees fairly and properly in all aspects of recruitment, retention and employment.
- Promoting a high level of safety throughout the organisation.

Act in a socially responsible manner by

- Building effective relationships with landowners, customer groups and interest groups that are affected by our activities.
- Improving environmental reporting and performance on issues that are caused by our electricity supply activities.
- Incorporating sustainability into our business activities, and working to improve sustainable outcomes in terms of resource management.

Nature and scope of our activities

SP's principal commercial activities, as defined under the Electricity Act, are the

- Generation and distribution of electrical supply to connected customers in approved areas,
- Operation, maintenance and development of assets that are necessary to achieve these outcomes on a long term, sustainable basis,
- Approved expansion of services to increased areas of operation.

Other regulatory functions

The Company is also mandated by the Electricity Act to perform the following regulatory functions:

- Be responsible for the registration of Electrical Contractors.
- Ensure that industries and contractors comply with the Electricity Act and the AS/NZS Wiring Standards, by inspecting all electrical installations before connecting to SP mains.
- Be responsible for the licensing of standby generators, Independent Power Producers (IPPs) and Cogeneration of power.

Chairman's letter

2022 was another excellent and successful year for Solomon Islands Electricity Authority trading as Solomon Power. As one of the best performing State Owned Enterprises in the country, it delivered another year of profits, and managed to complete its statutory accounts on schedule. All of this was achieved despite the country and company operating in a pandemic, low economic growth environment and amidst flow on effects of the Russian & Ukraine war.

This exceptional performance is wholly due to the tireless efforts of the management and staff of Solomon Power, and with the support of my colleague directors on the Board. Their dedication to the vision of energising the nation has ensured that electricity is reliably provided and network and generation systems are continuously being maintained. Furthermore, we also acknowledge the support of our valued customers from all sectors of our community and economy as well as our contractors, suppliers and service providers. In 2022, 11 of our staff resigned under our Covid 19 Policy which was in line with Government Covid 19 regulations. I would like to sincerely thank the staff for their contributions to Solomon Power.

In 2022 we implemented our Corporate Strategy for 2022 – 2027 under the following Strategic Themes, An Effective Business Model, Financial Sustainability, Robust and expanded infrastructure, Engaged Stakeholders and Committed to Environment and Social safeguards. As a national SOE committed to its people, Solomon Power is extending its reach and network to all provinces and will continue its goal of rolling out SBD1 Billion worth of investments around the country over the next 5 years. This includes completing current and building new Grid connect and Hybrid Solar Projects and the network extensions.

Increase in fuel prices continue to be a challenge. In 2022, as a result of Russian & Ukraine war there was a drastic increase in the fuel prices resulting in a rise in fuel expenses exceeding 50% of the Authority's expenses. Solomon Islands Government following consultation with Solomon Islands Chamber of Commerce provided an exemption on Sales Tax and duty on fuel imports. This has assisted to curb the increase of Tariff and a savings of more than $4m was passed on to customers. Ultimately, Solomon Power's strategy to deliver affordable energy to its customers is to invest in renewables. While the pandemic has delayed SP's major energy investments such as its participation in the Tina River Hydropower Development Project, it remains committed to this national project. In 2022, we participated in the ground breaking ceremony of the project. Furthermore, we have been able to partially commissioned Solar Hybrids at Kirakira, Tulagi and Munda.

Solomon Power contributed and supported many community activities during the year as part of our corporate and social responsibility. In 2022, majority of the support was to the Health Sector in aid of fight against Covid 19.

While SP is a commercial entity, it will continue to support its shareholder, the Government of Solomon Islands in its various development aspirations. During the year, SP purchased a $30 million bond from the government. It also paid dividends to government, as part of its board approved corporate dividend policy. On that note, I wish to thank our accountable Ministers; Minister of Finance and Treasury and Minister of Mines, Energy & Rural Electrification, for their continuous support to the Board and Management of Solomon Power during the year.

Last but not the least, I express my gratitude to our development partners; Australia, Asian Development Bank, World Bank, New Zealand and Japan for their support to Solomon Power in undertaking our various energy projects and developments around the country. Your support enables Solomon Islands to make headway towards its ambitious goal of 100% of Renewable Energy for Honiara by 2030 and 100% access to electricity for the whole country by 2050.

I once again thank the government, our customers, all stakeholders, partners, the management and staff, and Directors of the board for their cooperation to make it another successful year, 2022.

May God Bless Solomon Islands from shore to shore.

David K.C. Quan OBE
Chairman

Chief Executive Officer's letter

It has been a challenging but rewarding year for Solomon Power in 2022. With the back drop of social unrest at the end of 2021, the coronavirus community transmission and its travel restrictions at the start of 2022, and the effects of the Russian and Ukraine War specially to fuel price, it has compounded the harsh business conditions carried forward from 2021. Nonetheless, as a commercially and operationally resilient state owned enterprise, SP has managed to continuously provide the service to the nation and remain financially successful.

Despite the weak operating environment, Solomon Power's customer numbers continued to grow by 4.5% to a total of 25,457 customers. For the first time, people from Supizae an island off Taro, in Choiseul Province, were connected to the grid.

Sales volumes declined, though total revenues trended up owing to the higher fuel prices that were fed into the tariff. Accordingly, total profits for the year was $75 million. Most of the profit is reinvested into the business to build new grid connect and hybrid solar plants, extend the network, implement scheduled major overhauls and planned maintenances on both the generation and network assets to ensure a sustainable and quality service over a longer term.

Operationally, the power situation in Honiara and the outstations in the provinces were generally stable. There were was some load shedding and a few power black outs in Honiara, Buala, Taro & Tulagi. There were also a number of unplanned outages on the network due network faults caused by machines and defective distribution equipment. Prolonged unplanned system outages were experienced in April and November. One of the outages in November was due to the 7.5 magnitude earthquake. There was also a noted increase of planned network outages due the relocation of network assets as a result of national projects such as the Phase 2 JICA road upgrade, the JICA international terminal upgrade, the Pacific Games infrastructures construction as well as the planned vegetation management.

The power situation is Honiara was further stabilised with the completion of the major overhauls of L8 Wartsila Generator and the four MAN Diesel generators by the end of 2022.

Solomon Power's capital investment activities were progressed during the year. A total of 42 projects remain active at various stages of development, valued at $888 million. While, some have been delayed by the covid border closures, contractual matters, and global supply chain issues. Other network extension works were completed in Choiseul, Munda, Malaita and Honiara. The network extension across two islands, Taro & Supizae was the first of its kind in Solomon Islands. New office in Noro was commissioned, while Lata office is in completion stage, with acquisition of land being underway for Auki Office.

The success of Solomon Power is a testament to our hard working staff. In 2022, there were 317 permanent staff. To boost productivity and ensure SP remains a good employer of choice, various human resource policies were reviewed, and both technical and administrative trainings were undertaken during the year. Moreover, as a safety conscious organization, SP strictly enforces health and safety measures and recorded a year with zero Lost Time Injuries.

Looking ahead, Solomon Power will continue with its Strategic Plan 2022 – 2027 that is linked to our $1 billion capital expansion plan. This updated plan aims to chart SP's progress into a greener, leaner and more commercially sustainable company for the next decade. Furthermore, there are changes expected in 2023 as a result of the Electricity Act Amendments as well as new Independent Power Producers Regulations.

With the Covid 19 Pandemic behind Solomon Power is now at the forefront to contribute to developing the nation through its investments in the economy and its grand vision of energizing the nation. On that note, I would like to thank the Chairman and the Board Directors for the steadfast leadership in providing strategic guidance to management. Moreover, special appreciation goes to our stakeholders and especially our accountable Ministries; Ministry of Mines, Energy and Rural Electrification, and Ministry of Finance and Treasury for their policy support and guidance during the year.

Finally, I extend my biggest thanks to our customers for their patronage in 2022. We look forward to another rewarding year in 2023.

May God Bless Solomon Islands, May God Bless Solomon Power

Martin Sam
Chief Executive Officer (Acting)

ENGINEERING HIGHLIGHTS FOR 2022

Overview

It was a challenge for the Engineering Division to maintain reliable power supply throughout the Solomon Power generation and distribution portfolio. Listed below are some major network outages experience during the year:

- A total system blackout on November 5th lasted around 6 hours caused by outage of 5 Diesel Generator at Lungga Power Station.
- A total system blackout for Honiara on November 22nd due to a 7.5 magnitude earthquake which resulted in an outage of all 11kV feeders. The Distribution team coordinated the restoration process through a complete assessment and inspection of all Distribution assets and the Honiara network was fully restored to normal operation after one and half day.
- The fault on the underground cable that links Munda and Noro power systems

In terms of our Honiara-based generation fleet, the easing of travel restrictions due to COVID made way for major overhauls to commence and a number completed during the year.

L9 Mitsubishi generator at Lungga Power Station remained out of service due to a major electrical fault which occurred in late 2021. In 2022, we engaged a contractor to assess the degree of the failure. From the assessment, it was recommended that the existing crane system at the Power Station will need to be upgraded for the complete remedial works to progress. The crane upgrade works was then initiated and hope to see this work commencing within the first quarter of 2023.

By the end of 2022, all generators at Lungga and Honiara Power Stations were operational except for two generators – one at Lungga Power Station and another at Honiara Power Station.

Honiara maximum demand peaked at 15.53 MW in October 2022, compared with maximum demand for 2021 which peaked at 16.08MW in November 2021. At the Outstations; only Seghe Station in the Western Province recorded a new peak demand at 21kW and was due to the connection of the Seghe Hospital to the network.

Besides the above activities and highlights, the Generation Department were able to carry out other unplanned and planned repairs and maintenances of the generation systems in Honiara and at the Outstations.

The Distribution Department also continued to support the ongoing construction works for the South Pacific Games at Panatina and KG VI. They also provide technical and construction support in the planning and delivery of our assets relocation works as part of allowing the JICA Road and International Terminal Upgrades in East Honiara to progress smoothly.

Particular efforts were put on the improving and maintaining of the network capacity and reliability by focusing on vegetation management, upgrading of under rated conductors and transformers, replacing defective equipment in the network and the timely implementation of planned maintenances.

The Regulatory Department continued to perform its regulatory functions by carrying out inspections of new and upgraded installations in Honiara and at the Outstations. The meter test bench was fully restored in late 2022 through remote assistance from the supplier. The Regulatory Department also provided technical and regulatory support to contractors and customers.

Generation - Honiara

Power generation in Honiara during the year was mainly from Lungga Power Station. This is from the new Man Power Station with installed capacity of 10MW but was only able to supply at derated capacity of 2MW from 2 generators that were in service for most of the year. The other two generators were forced to be taken out due to excessive water leakage. The balance of power requirement was from the old generators at the Lungga and Honiara Power Stations. Power generation in Honiara is also supported by a 1MW solar plant at Henderson, east Honiara and from a 50kW solar plant at the Head Office, Ranadi.

The extended 20000 hours' major overhaul of the MAN Diesels generators (L1, L2, L3, & L4) finally commenced with arrival of the service engineers in April and L4 being the first to be overhauled and commissioned. This was followed with L1 in July, L2 in October and L3 commissioned in December. A number of remedial and outstanding work is planned for first quarter of 2023 due to unavailability of parts. The Generation team also completed overhaul of L8 Wartsila and engine commissioned in late January.

Hasting Deering also commenced top overhaul service on one of the two Caterpillar Generators at Honiara Power Station and although commissioning was delayed due to unexpected defects, the engine was finally commissioned in June.

Distribution

The Distribution Department undertook a number of major activities in Honiara and at the Outstations.

Maintaining the reliability of the network in Honiara was a priority for the Department and this was managed by progressing vegetation clearing, network rerouting for ease in maintenance, timely implementation of planned maintenances and replacement of defective network equipment with new units.

Major works carried out by the Distribution Department in 2022 includes:

- Installation of a Ring Main Unit and 500kVA Transformer for the Futsal Friendship Hall
- Installation of a 200kVA Transformer for a new accommodation building for the Pacific Games athletes
- 11kV & 415V network relocation/upgrade works around SINU Kukum Campus Area
- Installation of a 500kVA transformer for the new Domestic Terminal and a 1000kVA transformer for the new International Terminal at the Henderson Airport.
- Replacement of a 500kVA transformer at Commonwealth Street entrance at Point Cruz.
- Upgrade of a Transformer at Solrice, Ranadi Industrial site to 750kVA from a 300kVA unit

- Installation of a new 11kV link between Kola South Feeder and West Ranadi Feeder from Borderline area to Gilbert Camp
- Complete replacement of LV bare conductors to ABC at Tuvaruhu area
- Completed replacement of 11kV cable between Pacific Casino and Mbua Transformer at Kukum.
- Installation of more than 500 service lines for new customer connections.

The team also provided key support to the Capital Works division by:

- the installation, termination, and commissioning of 11kV underground cables and three Distribution Transformers from Black Post to Tina Village in Guadalcanal Province
- Installation of a Transformer for Henderson Fighter 1 network extension in Honiara
- JICA Phase 2 road upgrade asset relocation works at Kukum in Honiara
- At the Outstations, the Department provided technical and construction support to the hybrid conversion projects at Tulagi, Kirakira, and Munda. This includes interconnection of the existing network reticulation to the new solar hybrid sites and upgrading them to 11kV from 415V.

Generation - Outstations

Majority of the Outstations experienced stable power with no total outages; except for Taro and Tulagi solar hybrid systems. Taro's system outage occurred in early April and was due to a faulty controller on the solar system while the generator experienced mechanical fault with its starter motor. Power was restored to normal after a new starter motor was installed.

Tulagi experienced total outage in late December after its generators experienced mechanical failures. Attempts to restore were unsuccessful which resulted in the total outage so generator had to hired from Honiara. Power was restored after the hired generator was taken to site and installed on New Year 's Eve.

Buala hydro plant experienced forced shut down in the first quarter of 2022 thus Generation management reached a decision to install and commission 1x220kW new Kohler to alleviate risk of possible station outage should another engine failed. The new generating unit was installed by our staff and commissioned in June 2022.

On renewable energy projects at the Outstations, the partial commissioning of the Kirakira solar hybrid in late 2021 was followed by Tulagi in the first quarter of 2022 while work on Munda progressed and Maluu deferred for 2023.

Regulatory

The Regulatory Department continued to carry out its role as the Regulator in the Electricity industry by ensuring the electrical installations comply with the AS/NZ3000 Wiring Standards. The department also supported licensed electrical contractors by providing regular updates and regulations and by carrying out progressive and final inspections on wiring installations.

One of the functions of the Regulatory Department is to license Grade A & B electricians as provided for in the Electricity Regulations 52 of the Solomon Islands Electricity Act. An interim licensing framework was set up in 2018 following the signing of a memorandum of understanding between Solomon Power and Energy Skills Australia. Under this arrangement, licensing assessments were carried out for both the theory and practical assessments.

By the end of 2022, 49 licensed electricians managed to revalidate their licenses of which 17 are from Solomon Power and 32 from private companies and Government Departments. The key reason for the decrease in licensed electricians for Solomon Power was due to licensed electricians who refused to get vaccinated due to the COVID pandemic and because of the **'no jab no job policy'** had to work for other companies.

The testing of new and used energy meters progressed during the year. A total of 1,007 new energy meters were tested. This is a slight decrease in the number of energy meters tested compared with 2021 due to a technical issue with the Meter Test Bench. This meant no meters being tested from March to June 2022. The issue was partially resolved mid-year where only test single phase energy meters were able to be tested. In December 2022, through remote support from the supplier, the meter test bench was fully restored to full operation.

Licensing of private generators rated at 50kW and above was carried out with a new approach of conducting mass diesel generator survey within SP's grid. By the end of the year, a total of 31 licenses were issued.

A total of 1,373 installations were energized compared with 1,959 in 2021. Of the total energized 1,001 were normal customers and 372 were customers under the Output Based Aid (OBA) program funded by the World Bank.

Renewable Energy

The Renewable Energy Roadmap for Honiara was launched by the Government in July 2022. Solomon Power was also part of the launching program and acknowledged that the renewable energy efforts for Honiara will be guided by this roadmap.

With the delayed implementation of the 15MW Tina River Hydropower Development Project, construction impediment has been for over 2 years.

Constructions of the solar installations at Munda (1.0MW), Tulagi (250kW), Kirakira (320kW) and Malu'u (140kW) were progressed, with the partial commissioning of Tulagi and Munda during the year. Works on Maluu and Lata will be progressed in 2023 with the target to fully commission the plants by early 2024.

Detailed designs for the new solar hybrid sites (Namugha in Makira Province, Sasamunga in Choiseul Province, Hauhui in Malaita Province, and Vonunu in Western Province) funded by Solomon Power and the New Zealand Government have been progressed over the year. The procurement of the battery storage systems and novation agreements for these have been executed. Procurement of other major parts and civil works for these plants will commence in 2023.

The solar hybrid systems (Visale in Guadalcanal Province; Dala & Bina in Malaita Province; Baolo in Isabel Province, and Tingoa in Renbel Province) funded by Solomon Power and the World Bank were re-tendered in the open market and the evaluation report was finalized and approved by World Bank by November 2022. The Capital Works Department intends to formulate and award the contract and expects the detailed design to be completed in 2023.

The three active projects for grid-connected solar systems in Honiara have progressed with the following updates:

- Tanagai Solar Farm (1MW) – Re-tender was completed with the evaluation report completed by end of the year.
- Henderson Fighter 1 Expansion (2MW) – The detailed design progressed slowly during the year.
- Ranadi Rooftop (0.22MW) – The re-tendering process completed and the contract was awarded and signed in June 2022.

Additional 1.3ha of land was negotiated and registered under SP in Honiara which will be the potential for another 1.5MW of solar capacity. Other land registration/negotiations activities have progressed as well over the year in alignment with the launched Renewable Energy Roadmap for Honiara.

Power System Reliability

Solomon Power's System Reliability in Honiara is measured using the internationally accepted performance indicators as follows:

The System Average Interruption Duration Index (SAIDI)

SAIDI defines the average interruption duration per customer served per year.
SAIDI = (Sum of Customer Interruption Durations / Total number of Customers served)
For Honiara, this was measured to be 172.07 minutes, compared to 86.31 minutes in 2021, an increase by 85.76 minutes.
The System Average Interruption Frequency Index (SAIFI)
SAIFI defines the average number of times a customer's service is interrupted during a year for longer than 2 seconds. A customer interruption is defined as one interruption to a customer.
SAIFI = (Total number of customer interruptions/Total number of customers served)
For Honiara, this was measured to be 1.05 times, compared to 0.95 times in 2021, an increase by 0.10 times.
The Customer Average Interruption Duration Index (CAIDI)
This a measure of the average number of times (minutes) that a customer is without power per interruption.

For Honiara, this was measured to be 156.68 minutes per interruption, compared to 108.89 minutes in 2021, an increase by 47.79 minutes.

The overall increase (deterioration) of the systems reliability figures for the Honiara network is as a result of the two major unplanned outages on 5^{th} (due generation failure) and on 22^{nd} (due to earthquake) during the month of November 2022.

Reliability and Efficiency

Power generation in Honiara was mainly from the more fuel-efficient MAN Diesel (4x2.5MW) generators commissioned in 2016. The balance of power generation was from the old generators at the Lungga and Honiara Power Stations. However, the outputs of the MAN generators have de-rated to about 1.75MW due to inefficiency in their cooling systems. The de-rating of the generators was because of the delays on the scheduled overhauls due to impact of the Covid 19 and the travel restrictions. However, with the opening of the borders in July 2022, we were able to implement the overhauls on all the MAN Gererators and by the end of the year the outputs from the generators were improved.

With L9 Mitsubishi and H2 Caterpillar generators out of service, the available generation capacity for Honiara, by the end of the year was at 19.0MW against a peak demand of 15.53MW.

The delays in implementing the scheduled major over hauls of the MAN generators, the outages of L9 Mitsubishi generator due to the faulty alternator and H2 Caterpillar has reduced the available generation capacity during the year. Despite of the above, the timely implementation of services, the regular inspections and monitoring of the generation plants equipment have maintained the availability of the operating generators at Lungga and Honiara power station.

With the installation of a new 220kW Kholer generators at Buala, helped to alleviate the capacity constraint at the station due to the prolonged outage of the hydro plant and the deratings of the old Cummins and Kipor generators.

The Honiara distribution network was generally reliable, however an effective vegetation management across the Honiara networks is required to improved reliability of the network. Some of the other outages experienced in the networks were mainly caused by machines/ human activities and defective and aging network infrastructures. Planned outages in the Honiara network due to the JICA funded road and airport developments also contributed to the increase in the Honiara network performance indicators for the year.

Energy Produced

Energy produce in 2022 compared with 2017, 2018, 2019 2020 and 2021 is as shown in the table below. Lungga and Honiara operations produced a total of 84.36 GWh (86.5%) whilst the Outstations and the Henderson solar plant produced 13.0GWh (13.5%)

Station	GWh 2022	GWh 2021	GWh (2020	GWh (2019	GWh (2018	GWh (2017
Lungga	81.96	83.46	83.74	83.04	81.75	80.73
Honiara	2.40	1.52	1.85	2.80	2.46	1.65
Outstations	11.6	11.67	11.96	11.77	11.17	9.73
Henderson Solar (1MW)	1.35	1.30	1.40	1.47	0.89	1.19
Ranadi Solar (50kW)	Not Available	Not Available	Not Available	Not Available	0.015	0.042
Independent Power Producers (IPP)	0	0	0	0	0	0.94
Total	**97.31**	**97.95**	**98.95**	**99.08**	**96.285**	**94.28**

Maximum Demand

The demand for electricity in Honiara in 2022 peaked at 15,530 kilowatts compared with 16,082 kilowatts in 2021, a decrease of 551 kilowatts.

Generation Statistics

System Performance Indicators for Honiara from 2012 to 2022 are shown in the histogram below:

CAPITAL WORKS DIVISION

There were forty-two (42) active capital infrastructure projects underway in 2022, with fifteen (15) additional projects in the planning and procurement phase to the total value of $888.7 million. Of these, the following were accomplished during the year:

- Completion and commissioning of:
  - 11kV/ 415V line network extensions at Tina and Henderson Fighter 1, in Guadalcanal Province, Jericho 2, Nine Ridge, Forest Valley, Lungga, Tinge-Hatanga, Tavagalo, Tasahe in Honiara, Namobaula, Kilufi, Kwainaketo, in Malaita Province, Noro NFD and Buala Munda in Western Province & Supizae in Choiseul Province.
  - Partially commissioned Tulagi and Munda Solar Hybrid Project.

- Commissioned Honiara Power Station Site Upgrade Project.
- Commissioned Buala Hydro fore bay Repair Project.
- Eight Adhoc Extensions for OBA customers Henderson Fighter 1 Network Extension Project
- Jericho 2 Network Extension Project
- Nine Ridge Network Extension Project
- Forest Valley Network Extension Project
- Lungga Network Extension Project
- Tinge-Hatanga Network Extension Project
- Tavagalo Network Extension Project
- Tasahe Network Extension Project
- Alligator creek Network Extension Project
- Tinge Network Extension Project
- New Zealand Camp Network Extension Project
- Namobaula Network Extension Project
- Kilufi Network Extension Project
- Kwainaketo Network Extension Project
- Noro NFD Network Extension Project
- Buala Munda Network Extension Project
- JICA Phase 2 Road Upgrade Component 2
- JICA Phase 2 Road Upgrade Component 3
- JICA Phase 2 Road Upgrade Component 4
- JICA Phase 2 Road Upgrade Component 5

- Contracts signed for the following projects:
  - Tina Network Extension Project
  - JICA Phase 2 Road Upgrade Component 6
  - Buala Power Station Civil Works Upgrade Project.
  - Design, Supply, Installation and Commissioning of a Solar plant (SP Roof) – 220kW grid connected solar
  - Construction Supervision Contract for Buala Electrical Upgrade Project
  - Construction Supervision Contract for MFAT Funded Solar Hybrid projects at Hauwui, Namuga, Vonunu, and Sasamuga.
  - East Honiara Sub-Station Enclosure Project

- Projects approved and awaiting tendering and contract signing in 2023:
  - Optical Ground Wire Project
  - Old Lungga Electrical Upgrade Project
  - Baolo Solar Hybrid Generation System Project
  - Dala Solar Hybrid Generation System Project
  - Bina Solar Hybrid Generation System Project
  - Visale Solar Hybrid Generation System Project
  - Tingoa Solar Hybrid Generation System Project
  - Tanagai Solar Farm Project

The following key projects were at various stages of progress in 2022 and are targeted for completion in 2023 - 2025:

- Tina River Hydropower Project – 66kV transmission lines and termination equipment at Lungga.
- Electrical Upgrade of Old Lungga Power Station
- Major relocation works and cable upgrades in Honiara power networks

- Housing Upgrade works in Auki
- New Office Buildings at Noro and Lata.
- Commissioning of 5 hybrid replacement generation systems for the existing Outstations at Kirakira, Lata, Malu'u, Munda, and Tulagi.
- Complete installations of Solar Hybrid Generation Systems at Hauhui, Namugha, Sasamunga and Vonunu.
- Detailed design & complete installations of Solar Hybrid Generation Systems at Baolo, Bina, Dala, Tingoa and Visale.
- Detailed design & complete installation of Tanagai 1 MW Solar farm
- Detailed design & complete installation of Henderson 2 MW Solar farm
- Detailed design & complete installation of SP Roof – 220kW grid connected solar
- Detailed design of Buala Electrical Upgrade Project
- Commissioning of Buala Power Station Civil Works Upgrade Project
- Additional 11kV/415V Network Extension Projects
- Data and Control Centre Building at Lungga
- SCADA Master Station in Honiara
- Substation Protection Upgrades for SCADA in Honiara
- Honiara East Substation Enclosure
- Completion of;
    - JICA Phase 2 Road Upgrade Component 2
    - JICA Phase 2 Road Upgrade Component 3
    - JICA Phase 2 Road Upgrade Component 4
    - JICA Phase 2 Road Upgrade Component 5
    - JICA Phase 2 Road Upgrade Component 6

SPECIAL PROJECTS & PLANNING DIVISION

The Special Projects and Planning (SPP) division has completed the 2022 reviews and updates of all Network Development Plans (NDP) for all the Provincial Outstations and Honiara. Together with this, in collaboration with the Capital Works division and coordinated by Finance Division, the organization's capital expenditure outlook for the next five year planning period from 2023 to 2027 was formulated.

During the year 2022, team has identified and executed nine feasibility studies and progressed desktop studies, mapping and have progressed reports. Of these, three potential solar farm sites are in Makira province and one in Guadalcanal province. Six are for planned network extensions for an anticipated total of 1,000 potential customers, of these two will be in the Honiara grid, two in the Auki grid, one in the Malu'u grid, and one in the Noro-Munda grid.

SPP took the lead on the development of Asset Management Framework and Roadmap in for the organization. An Asset Management Committee (AMC) was formed. The AMC engaged Entura to assist with its four phase initiatives. The initiatives, aims to maximize the value of assets over time while maintaining an acceptable level of risk. The team is aiming to progress this in 2023 and to possibly have an Asset Management Roadmap and Framework in place.

Technical support was provided to both internal and external stakeholders by the SPP team. This includes cross divisional provision of supervision to project execution works, engineering inputs, data and reporting between Capital Works, Engineering, Legal and Customer Services. External stakeholder engagement that the team has been part of includes providing technical and consulting support to project financing institutions both international and national, Government and Non-Government Organizations.

As part of the JICA Renewal Energy Roadmap and SP's goal to target 100% renewal energy in Honiara by 2030, SPP has successfully completed and acquired a 1.32 ha of land at Henderson for Solar Grid Connect. A contract has been signed in late October 2022 for fencing and works is expected to be completed by early January 2023. Discussion is also underway on funding opportunities with international funding partners for the installation of the solar farm.

In year 2022, the SPP has formalized an understanding with the Commissioner of Lands with respect to acquisition of customary lands for solar hybrid projects. This understanding ensures that recommended and mandatory Acquisition Officers within MLHS will be responsible for the entire land acquisition process while technical support will be rendered from SPP.

Team has compiled draft lease agreements for land acquired for solar hybrid system establishment in Afio, Dala and Buma. All sites are committed projects for solar hybrid systems funded by Solomon Power and World Bank. The draft lease agreements have been reviewed by the legal team and finalized for negotiation and execution with the respective land owning groups. Finalization and land registration process is anticipated to complete within first quarter 2023.

Team executed three high level consultations with feasibility studies for two potential solar hybrid sites in Makira Province and one in Guadalcanal Province with feasibility reports due to complete by end of the first quarter 2023. These site feasibility studies will be included in the previous batch of solar sites for a combine review and recommendation to be put forward to management for further deliberation prior to business case paper

SPP with relevant other Divisional staff within the organization has participated in the SI Electricity Act review and a 2-days workshop on the draft SI National Electrification Strategy and Plan (NEP) in 2022. This was hosted by Castalia Consultants.

Team updated the SKM report 2011 – Loss Reduction Study for the Honiara Electrical System and have discussed the recommendations with the Engineering & Customer Services. Also in 2022, the department has conducted investigations into negative losses for Tulagi system and a draft report was produced for Executive noting.

In the first quarter of 2022, the Board approved nine (9) network extension sites for both Honiara and outstations which was scoped back in 2021. This was followed by signing of all the MOUs for easement by local landowners. Also, requested development consent were received from local authorities for all the sites in 2022.

Our team has completed its study on Honiara Power System Operation with inclusion of Tina Hydro. The paper aims to comprehensively layout the recommendation/actions that will be undertaken to ensure reliability and stability of the Honiara Power System when Tina Hydro is commissioned into the Honiara power grid.

SPP is Solomon Powers focal point of contact for the Tina River Hydro Development Project (TRHDP) and is also responsible for the implementation of TRHDP components.

During 2022, team has been able to complete a 11kV/415V Tina network extension under the Community Benefit Sharing Program. 141 customers were connected under this project.

Under the Power Purchase Agreement (PPA) signed between Tina Hydropower Limited and SIEA for the Hydropower Facility, team, SIEA management and its Legal Advisor has progressed the assessment of the delay and cost claims received by THL since early 2020. It was until third quarter of 2022 that a consolidated claim was received that enable SIEA and its Legal Advisor to assess and merit claim settlement that is anticipated for negotiations first quarter of 2023. Having set up an internal Project Management Unit (PMU), team was also able to finalize all detailed designs for Transmission Lines (Component 3) and has progressed review of environmental and social documentation together with the financing party, Australia Infrastructure Financing Facility for the Pacific (AIFFP). Team has targeted to finalize these environmental and social baseline documents by second quarter 2023 and looking forward to also initiate procurement for Consultant supporting services as well as Infrastructure Works Contractor.

In the third quarter of 2022, Business Development Unit was established as part of the Special Projects and Planning Division. Key focus of the Unit during the year was the establishment of Business Development Strategy (BDS) and is to be submitted for approval in the first quarter of 2023. BDS will be a key mechanism that directly support SIEA's strategic objective of creating "New Income Streams" that is part of the Corporate Strategic Plan from 2022 – 2027.

The OBA (Output Based Aid) programme adheres to core OBA principles by enabling low-income households to access basic energy services and disburses subsidies to SP only after the access related outputs have been achieved and independently verified. Another USD2.5 million was funded in 2022 as a grant being for component 2. This enable team to connect and energize up to a total of 374 OBA customers. There are constraints however in terms of funding towards end of 2022 but it is anticipated that funding will be available before middle of 2023.

CUSTOMER SERVICES DIVISION

Customer Services Division is responsible for all customer issues, being the first point of contact for the customers in terms of enquiries, through to all service requests including new connections, fault reporting, cashpower issues, as well as cashiering, management of customer accounts, metering, marketing and public relations. Customer Services tasks are performed in Honiara as well as at the eleven Provincial Offices namely Auki, Buala, Gizo, Kirakira, Lata, Malu'u, Munda, Noro, Seghe, Taro and Tulagi; all contributing to SP's vision to make electricity affordable and accessible to Solomon Islanders which is in line with the national objective to energise our nation by year 2050.

As at 31set December 2022, 25,457 customers were registered and connected to our Honiara and Outstations network, as compared to 24,372 in 2021 and 22,182 in 2020.

TOTAL CUSTOMERS COUNT BY LOCATION DECEMBER 2021			
	POSTPAID	PREPAID	TOTAL
Honiara	1,624	17,777	19,401
Auki	134	1,517	1,651
Gizo	99	976	1,075
Noro	79	677	756
Munda	29	590	619
Tulagi	34	232	266
Kirakira	34	258	292
Buala	37	242	279
Lata	35	264	299
Malu'u	17	378	395
Taro	18	282	300
Seghe	6	118	124
	2,146	23,311	25,457

In terms of customers by tariff category for both post-paid & prepaid, 78.8% of customers are on the domestic rate, 21.2% are on the commercial and industrial rates.

CUSTOMER BY TARIFF CATEGORY	
Domestic	20,050
Commercial	5,373
Industrial	34

For the post-paid category 74% are commercial & industrial customers and 26% are domestic customers. Commercial customers make up 16.3% of prepaid customers while 83.6% are domestic customers.

Postpaid customers are registered on the post-paid billing system called Utility Star Platinum. Prepaid customers commonly referred to as cash power customers are registered on Suprima.

At the start of 2022, due to the Covid 19 community transmission and the subsequent lock downs most of our plans were delayed. Furthermore, as a result of November 2021 riots, we lost some customers. However, despite that, SP has progressed its programme to extend the electricity network in Honiara and at the Outstations in 2022 resulting in a 4.5% increase in our customer base. Community awareness sessions go hand in hand with network extension plans. Eleven community awareness programs were held throughout the nation in 2022. The awareness sessions cover a variety of topics, including process for applying for connections and safety.

Earlier in 2022 following the community transmission, we were unable to open our Hyundai Mall office resulting in Solomon Power relocating to Anthony Saru Building in May. We continued with restricted & controlled entry into our Anthony Saru & Ranadi Offices until third quarter 2022. Postpaid customers were encouraged to utilize Solomon Power's other ways of making payments which included internet banking payments through ANZ, BSP, Bred Bank as well as Direct Deposit/Transfer at ANZ and BSP.

To assist prepaid customers with payment options, we currently have agreements with Aelan Digital Services (ADS) Limited, Bred Bank, Iumi Cash Limited, Bank of South Pacific, Pan Oceanic Bank and Solomon Postal Corporation Ezipei. This enabled our prepaid customers twenty-four-hour access to top up cashpower. In 2022, we saw an increase by 85% mobile top up cash power transactions from 492,885 in 2021 to 579,132. As at end of 2022, 75% of cash power transactions were conducted through these vendors.

For our customers in the Provinces, in 2022, we opened the new SP Noro Office. Construction is also underway at our Lata Office and we are in the land acquisition stage for an Auki Office Building.

Our new connections process, is our greatest area of concern with the highest number of customer follow ups and misplaced files. In July 2022 we commenced our streamlined process to digitally input, amend and save, all applications. In late 2022, we worked on ensuring there is visibility and transparency in the new connections process. Customers application for new connections can now be tracked. Our call Centre numbers 166 & 167 operates twenty-four hours a day, seven days a week. We continued to utilize our Call Centre to support our fault reporting as well inform customers on outages. In 2022, we received an average of 4,597 calls per month.

Keeping customers informed of our activities, our charges of supply of electricity and outages both planned & unplanned outages is of great importance to the Solomon Power. In 2022 we continued to keep our customers informed through our facebook page, our website www.solomonpower.com.sb, print media and radio.

During the year, we protected our revenues by ensuring accuracy of our meters in customer premises. At the start of the year, due to Covid 19 community transmission we were unable to visit premises to obtain readings or carry out inspections for illegal bypass. We automated the estimate billing process to enable us to continue to bill customers in a timely manner for customers who are not on EDMI smart meters. We commenced our meter checks in the second half of the year and have been able to curb the increase of non-technical losses to 7%; this included meter inspections at Noro & Munda, commercial meter checks in Honiara and the cash power meter checks on installations where no payments were received over a ninety-day period. Furthermore, for faulty or illegal bypass meters, average bills were computed and charged to the customer. This is to ensure we recover revenue for the period that the meters were not recording any usage.

FINANCE DIVISION

Over the past year, Solomon Power continued to demonstrate its financial strength by maintaining profitability as well as high liquidity to finance most of our renewable energy projects. Our financial performance for 2022 was above target. Net Profit was $75 million compared to $74 million in 2021. Primary reasons for this result included: Increased revenue, including interest receives from banks and bonds; and decrease in repair and maintenance, travel, personnel cost and credit impairment charge.

- Return on Capital Employed and return on assets were 5.0% and 4.3% respectively
- SP declared and paid dividend of $4 million for 2022 financial year to our shareholder.
- Cash and cash equivalent as at year-end was $287 million.
- Fuel cost, being 51% of our costs, has increase in comparison with 2021 mainly due to high global fuel prices.
- Capital Infrastructure was funded using retained earnings (new Solar Hybrid Outstations, Generation Upgrade, 11kV and 415V network extensions, upgrade to properties), loan and grant funding (Solar Hybrid Projects and Output Base Aid)

INFORMATION, COMMUNICATION AND TECHNOLOGY DIVISION

SP relies on Information and Communications Technology (ICT) to support its day-to-day business operations and the ICT Group supports the business areas by:

- Supporting the full suite of business applications for: Finance, Corporate Services, Customer Services, Administration, Distribution, Generation, Capital Works, Special Projects & Planning, Legal and all operational software needs;
- Provision of communications network connections to offices and power house sites across Honiara;
- Providing links to the current 11 Outstations in the Provinces at: Auki, Buala, Gizo, Lata, Kirakira, Malu'u, Munda, Noro, Seghe, Taro and Tulagi;
- Connecting all full-time staff and additional contractors and service providers;
- Managing Desktop PCs, Laptops, Printers and Telephones for department operations;
- Running 24 Production and 21 Disaster Recovery (DR) servers across three (3) Data Centre environments; and

- Managing 160 Terabytes of storage space for corporate information.

As part of the development for a growing organisation, the ICT Group has continued working on upgrading all of SP's IT Platforms, meeting expectations and guiding staff to use the technology effectively.

We have in 2022:

- Progressed the rollout of the Time clocks to other Outstations (Kirakira, Lata, Tulagi and Seghe).
- Progressed the delivery of the Fibre Optic MOU Exit Project. This includes the installing of alternative communication links than the ones available through the MOU with SIG at Malu'u, Munda, Noro, Gizo and Taro sites.
- Contributed to the progress of the ongoing New Data Centre Project at Lungga.
- Contributed to the progress of the ongoing Call Centre Project.
- Progressed the automated Staff Leave Application and Approval Process, together with the Business Administration Division.
- Expanded and set up the SP network solutions at proposed sites.
- Implemented communication links and facilities at Executive staff residences as well as for some 28 other key staff residences in Honiara. This was to allow flexible Work from Home arrangements, mostly due to the Covid-19 Community transmission experienced.
- Negotiated discounted internet packages with ISP's (Internet Service Providers), for SP staff residences and offices.
- Procured and commissioned fifty (50) new laptops required for staff.
- Implemented the proposed BCP (Business Continuity Plan) for SP, which includes the commissioning of two new servers procured and testing of the DR (Disaster Recovery) Failover process.
- Progressed implementing the identified ICT Risk Control and BCP measures.
- Provided the technical support to have Iumi-Cash transacting as SP's sixth Cash Power vendor.
- Made input to the plans surrounding the new income streams for SP through the use of the ICT infrastructure or assets.
- Implemented further the use and training of Share-Point Content Management tool for SP, by providing the new design, and making it available to Departments to start creating their content.
- Progressed the review of the current outsourced SP Website support services and looking to having this service provided in-house, through the ICT Department instead.
- Contributed to the planning and implementing of the SP Asset Management Enhancement Project for Generation, Transmission and Distribution Assets.
- Reviewed ICT Staff levels and implemented staff increments accordingly.
- Participated and/or delivered our planned training programs.
- Ensured that each staff had an opportunity to act in their supervisor's roles as part of ensuring back up roles and succession planning.

We will in 2023:

- Progress the rollout of the Time Clock System to remaining Outstation (Malu'u).
- Progress the delivery of the Fibre Optic MOU Exit Project. This includes the installing of alternative links to the SIG provided communications at Seghe and Lata.
- Provide redundant links to those sites that have only one ISP service available.
- Expand and set up SP network solutions at proposed sites as identified by the Capital Works Department.
- Progress the delivery of the New Data Centre Project at Lungga.
- Progress the delivery of the Call Centre Project.
- Progress the delivery of the Control Centre (SCADA Project).
- Implement to Production (live) Phase 1 of the automated Staff Leave Application and Approval Process.
- Procure and provide fifty (50) new laptops required for staff for the 2023 FY.
- Review the identify further improvements to the SP BCP (Business Continuity Plan) and ICT Risk Controls. This includes the purchase and commissioning of an additional new server as well as an offline data storage solution.
- Provide the technical support to include new Cash Power vendors (potentially Bmobile and Telekom).
- Work with other stakeholders in developing further the potential new income streams for SP through the use of the ICT Infrastructure or Assets, as services.

- Implement further the use and training of Share-Point Content Management tool for SP.
- Recruit a staff for the new role of 'Digital Innovation Officer (DIO)'. The DIO will help progress SP's digital projects identified.
- Implement further the SP Asset Management Project for Generation, Transmission and Distribution Assets.
- Investigate and implement where practical Printer Lease Arrangements for offices.
- Install additional Zoom and Video-Conference facilities in the provincial offices.
- Continue to upgrade ICT Network devices (Radios, Switches, UPS, Wifi) to standardise infrastructure and maintain performance.
- Upgrade our Windows and Exchange Server Versions due to EOL (End of Life).

CORPORATE SERVICES DIVISION

The Corporate Services Division provides support services to other Divisions across the organization through its Human Resources, Business Administration, Health, Safety, Security & Environment, Lands, Buildings and Fleet and Internal Audit.

1. Human Resources and Business Administration

At the end of 2022, SP had a total number of 317 permanent employees, compared to 299 at the end of 2021. This was an increase of 6%.

Some highlights in 2022 included:

- Providing support services to the essential services employees during the height of the COVID 19 community transmission
- Strict implementation of the COVID 19 Policy, ensuring mandatory COVID 19 vaccination for SP employees. Eleven employees resigned as they decided not to get vaccinated
- Solomon Power supported the COVID 19 Oversight Committee by leasing three vehicles for use by the committee during the height of the pandemic (Jan – March)
- Successful completion of the two-year Graduate Trainee Program. All the five Graduate Trainees were offered permanent positions
- First ever Staff Awards for staff performance of 2021
- Official Opening of SP Noro Office
- Extended the Iumi Play Sponsorship to Solomon Islands Football Federation
- Review of the following policies in the Human Resources and Procedures Manual (HRPPM)
    - Extra Duty Allowance Policy
    - Hazard Allowance Policy
    - Accrued Retirement Benefit Policy
    - Home-Based-Work Policy (Work-From-Home-Policy)
    - Training and Development Policy
- Appointment of key roles such of Deputy Chief Executive Officer and two Deputy Chief Engineer positions. Also renewal of the contract of the Chief Engineer for another 12 months.

2. Training and Development

To continually develop and update the knowledge, skills and competencies of its employees, SP had invested extensively in its training and development programmes.

Long-term training: Twenty (20) employees continued with their long-term study programmes in 2022, in the following areas:

- Bachelor in Accounting and Public Administration
- Bachelor in Electrical Engineering

- Certificate IV in Electrical Technology
- Certificate IV in Automotive Engineering (Heavy Plant)
- CPA Foundation
- CPA[1]
- Diploma of Project Management (Level 5)
- Bachelor of Commerce in Accounting and Management and Public Administration
- Bachelor of Entrepreneurship
- Graduate Certificate in Internal Auditing
- Professional Diploma in Accounting

Short-term training: Some in-house and local training undertaken in 2021 were:

- Renewable Integration in Pacific Islands Grids and Alternative Fuels for Energy Trading in Pacific Islands
- Maintenance, Inspection, Diagnostic Testing and Refurbishment of Electrical Equipment
- Introduction of Hybrid Power Generation System (O & M of Diesel Engine Generators) and RE Integration & PV's O & M.
- HR Master Class Series
- Corporate Induction
- Electrical Power Lineman Competency Based Assessment Training
- Driver Training
- Advanced Excel
- Electrical Power Line Mechanic Module 2
- Fiji Tech Summit
- Auditing Procurement Contracts
- Business Process Re-engineering
- Grid Connected PV Systems Design & Install & Grid Connected Battery System Design Install

3. Health, Safety, Security and Environment (HSSE)

Similar to other prior years, the focus in 2022 was challenging all divisions and their respective departments with the "Zero Harm" commitment. HSSE officers, continued with HSSE activities at sites to help achieve this aim. Therefore, in 2022 SP operations managed to maintain a zero Lost Time Injury record, which resulted in zero Work lost days. Records are tabulated on SP Injury records table below.

However, 2022 was a challenging year for the department due to the COVID 19 Community Transmission and the associated lockdowns that occurred in the beginning of the year. The Health, Safety, Security and Environment Department was instrumental in assisting staff and the essential services teams. They were responsible for ordering and distribution of COVID 19 PPE's. They also organized with the Ministry of Health and Medical Services for COVID-19 vaccinations and tests for employees. Solomon Power also implemented the COVID-19 Policy, making it mandatory for employees to take COVID 19 Vaccination. Eleven (11) employees resigned as they decided to remain unvaccinated.

The weekly exercise and sports program at Betikama school grounds continued after COVID 19 community transmission subsided towards the middle of the year. However, one of the key activity, the Team Building Games which comes during the Queens Birthday was cancelled as a result of the COVID 19 community transmission.

Some Highlights for year 2022

- HSSE site inspections continued in 2022 for all SP operational sites. A number of follow up work will be undertaken in 2023 to rectify issues observed and documented at the sites.
- During the height of the COVID 19 Community transmission, HSSE did the following to support employees:
    - Assisted the standby teams working during the COVID 19 lockdowns. Isolation accommodation were arranged for them at Sanalae and other SP vacant SP houses.
    - Organise the Ministry of Health & Medical Services to undertake swab test for front-line employees.

[1] One officer successfully completed his CPA program in 2022

- Organise the Ministry of Health & Medical Services to undertake swab tests for all employees.
- Organise the Ministry of Health & Medical Services to undertake booster jabs for employees and their families.
- Attended swab training organised by the Ministry of Health and Medical Services
- Demonstrate COVID 19 self-test kits to employees.
- Issuing COVID 19 PPE's to employees.
- Dispatch COVID 19 PPE's for Outstations.
- Bulk ordering of COVID 19 PPE's.

- HSSE was part of the zoom meeting by SWAP Project Technical assistance in a Virtual Inception Workshop chaired by Ministry of Environment. This is to conduct a feasibility study and develop a National Used Oil Management Plan for Solomon Islands stakeholders. It was followed by site visit at Lungga Power Station by SIG Environment Officer to obtain onsite data of stored waste oil, old spare parts, batteries etc.
- HSSE was part of the team that conduct feasibility study with the Generation Team on waste oil Management consultation.
- Conducted safety inductions for contractors working on the underground cabling from Lungga to Henderson, relocation of Power Line along the refurbish highway road and casual workers for the Capital team.
- Undertaken a total of 42 electrical safety awareness for schools and communities.
- Conducted fire drill demonstration for 14 staffs on how to use firefighting equipment during an emergency.
- Organized exercise & ball games to commemorate World Heart Day on Thursday the 29th September 2022.
- Arranged a health awareness for Pinktober for SP women. Breast Cancer as well as Menopause submission in the bed were the topics discussed in the awareness. Staff wore pink ribbons as show of support of Breast Cancer awareness.
- Coordinated hearing tests with Ear & Hearing Clinic for six staff of Generation department.
- Coordinated with NRH National Cancer unit for the Men's Prostate Cancer awareness conducted for SP male staff on the 9th November.
- Coordinated with NRH NCD Clinic for NCD Medical checks to mark the World Diabetes Day was commemorated on 15th November.
- Lead and organized SP staff who joined the launching and float parade for the 16 Days Activism Gender Based Violence held on the 25th November.
- Carried out safety assessments on damages caused by the 7.0 earthquake at the Ranadi Complex office. Minor fixes were required and done by the Properties team.
- On the 16th December, HSSE department involved in Disaster Response Planning for 2023 SP Games attended by other National Stake Holders held at OPMC.
- Fire Safe Contractor conducted 2022 final Fire protection and servicing of Solomon Power Fire Protection equipment on the 16th December. This included the Ranadi Office Complex, Lungga and Honiara Power Station.

4. Lands, Buildings & Fleet

Land

SP continued with two major land registration in 2022. The registration of these two pieces of land were completed in November 2022[2].

New Office Buildings

New office Building for Noro was successfully completed and commissioned in June 2022. Lata Office has been completed, but upon inspection there were some minor defects. The Contractor was advised to repair the minor defects. Once these minor defects are rectified then arrangement for official opening will commence. The official opening is expected in the first quarter of 2023.

Fleet

[2] *Ambu and Afio land*

Total number of vehicles as of December 2022 was 89. This is similar to the vehicle number in December 2021 which was also 89. A total of sixteen (16) vehicles were tendered out in 2022. The Board approved for the tender to be done internally for SP employees to bid. The internal tender was a success and the intention is to have it become part of the Fleet Policy.

5. Internal Audit

The Board approved the establishment of the Internal Audit Charter. The audit has started to implement the charter. The Charter is an important document that defines the internal audit's:

- Purpose
- Authority
- Responsibility & accountability
- Position within the authority
- Independence & Objectivity
- Roles and responsibilities

The charter will be reviewed annually to ensure it remained up to date and reflect the International Professional Practice Framework and auditing best practices.

LEGAL DIVISION

The Legal Division provides legal services to Solomon Power's various departments and divisions. Where appropriate, external counsel and law firms are retained to provide additional legal support.

Due to the nature of its business and operations, Solomon Power is exposed to legal risks from claims and legal proceedings on a variety of areas including contracts, land, public safety, and employment relations. The core responsibility of the Legal Division is to mitigate Solomon Power's exposure to legal risks through effective risk mitigation measures. Activities carried out by the Legal Division as part of these risk mitigation measures include reviewing contracts and other legal documents, monitoring compliance, resolving disputes, representing Solomon Power in legal proceedings, and the provision of legal advice generally.

Activities

- Solomon Power is involved in various disputes over claims made against or by Solomon Power that arise from time to time in the ordinary course of business. In 2022, two claims that were litigated were resolved with favourable outcomes – one claim against Solomon Power was struck out by the High Court, and another debt recovery claim by Solomon Power against a customer was settled.
- Two debt recovery claims against customers were commenced in the High Court in 2022. Of these, one case was settled, and the other case is ongoing.
- No unfair dismissal claims were filed against Solomon Power in 2022. Solomon Power is subject to only one unfair dismissal claim – commenced in 2018, hearing completed in 2020. A ruling on this claim is yet to be delivered.
- Legal Division led the review and implementation of new disciplinary rules and procedures to further strengthen employee compliance with internal policies and procedures, and ensure Solomon Power's practices were compliant with employment laws.
- Legal Division commenced a review into Solomon Power's contracting practices to identify areas for possible improvement to ensure contractual documents including the administration of contracts are appropriate to mitigate risks inherent in contractual engagements. The need for such review has arisen as a consequence of elevated risks in contracts. This review is expected to continue in 2023.
- Electricity theft, typically achieved through illegal wiring and meter tampering, is an offence under the Electricity Act as well as a breach of terms and conditions governing a customer's use of electricity supplied by Solomon Power. Legal Division commenced a review into Solomon Power's policies and practices to identify areas for possible improvements in detecting electricity theft and prosecuting offenders. This review also includes identifying possible improvements to strengthen the enforcement of provisions relating to electricity theft under the Electricity Act and Regulations. This review is expected to continue in 2023.
- A Senior Legal Officer was recruited to the Legal Division in 2022. This recruitment will strengthen the performance of the Legal Division in the area of dispute resolution/litigation/risk management. This recruitment has contributed to Solomon Power obtaining favourable outcomes in litigated cases in 2022.

- A Compliance Officer (Legal) was recruited through internal promotion to the Legal Division in 2022 following successful completion of a 2-year graduate trainee programme that had commenced in 2020. This recruitment will strengthen the performance of the Legal Division in the area of internal compliance/risk management.

CORPORATE GOVERNANCE PRACTICES

Role of the Board
As required by Section 6 (4) of the State-Owned Enterprises Action 2007, the Board is responsible for charting the Company's strategic direction, for the setting of objectives, policy guidelines, goals management, and for monitoring the achievement of these matters.

The Board is also responsible for reviewing the Business Plan, Corporate Plan and Statement of Corporate Objectives, and approves the Operating and Capital Budgets each year. The Board also reviews matters of a major or unusual nature, which are not in the ordinary course of business.

Composition of the Board as at 31st December 2022
The Board Directors, appointed under the State-Owned Enterprises Regulation 2010, (Part 2, Prescribed Process of Appointment of Directors) are as follows:

Name	Position	Appointment	Term	Status
Mr. David K.C. Quan, O.B.E	Chairman	19 February 2019	3 years	current
Ms Muriel Ha'apue-Dakamae	Director	17 December 2018	3 years	current
Mr James Apaniai	Director	17 December 2018	3 years	current
Mr Rovaly Sike	Director	17 December 2018	2 years	Replaced 22 June 2022
Mr John Bosco Houanihau	Director	17 December 2018	2 years	Replaced 22 June 2022
Ms Lilly Lomulo	Director	22 June 2022	3 years	current
Mr James Habu	Director	22 June 2022	3 years	current

Directors' Duties
The role and duties of the Directors are defined in regulations 17 to 27 of the State-Owned Enterprise Regulations, 2010. A key responsibility of the Directors is to achieve the principal objective of the Authority as stated in Section 5 of the SOE Act.

The principal objective of every State-Owned Enterprise shall be to operate as a successful business and, to this end, to be:

a. As profitable and efficient as comparable businesses that are not owned by the Crown or established as statutory bodies by an Act of Parliament;
b. A good employer; and,
c. An organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates.

Statutory Duties of the Board
In addition to the above duties, the Board of Directors of SP collectively and individually have agreed on the fulfilment of the following duties towards the company:

- When exercising powers or performing duties, Directors must act in good faith and in what the Director believes to the best interests of the State-Owned Enterprise.
- A Director of a State-Owned Enterprise, when exercising a power as Director, must exercise that power for a proper purpose.
- A Director of a State-Owned Enterprise must not:
  a) agree to the business of the State-Owned Enterprise being carried out on or in a manner likely to create a substantial risk of serious loss to the State-Owned Enterprises creditors or, and
  b) Cause or allow the business of a State-Owned Enterprise to be carried out on or in a manner likely to create substantial risk of loss to the State-Owned Enterprise creditors.
- A Director must not agree to the State-Owned Enterprise incurring an obligation unless the Director believes at the time, on reasonable grounds, that the State-Owned Enterprise will be able to perform the obligation when it is required to do so.
- A Director of a State-Owned Enterprise, when exercising powers or performing duties, must exercise the care, diligence, and skills that a reasonable Director would exercise in the same circumstances.
- Another controlling measure imposed on Directors is the requirement to enter any conflict of interest in an interests' register.

Fiduciary Duties of Directors

The Directors of SP also owe the following duties to the company. These fiduciary duties form the code of ethics of SP. A fiduciary relation imposes an obligation of utmost good faith on Directors by putting the interests of the Company first, and the SP Directors have pledged to uphold this principle at all times. The fiduciary duties of the Directors include the following:

- To act in good faith in the best interest of the Company.
- To exercise powers for a proper purpose.
- To retain discretion.
- To avoid conflicts of interest.

Board Meetings

The Board held 15 meetings during the financial year, which ended 31 December 2022. Of these, six (6) were scheduled meetings and the rest extra-ordinary meetings. The regular business of the Board covers corporate governance, financial performances and risk management, business investment and strategic matters.

Board Committees

There are three Board Sub-committees, Audit Finance Governance and Risk, Technical, and Human Resources, that are responsible for deliberating detailed issues and making suitable recommendations to the Board. The Sub-committees meet as and when required.

Board Secretary

Mrs Natalie Kairi

Audit, Finance, Governance & Risk Sub-committee

Membership:

January - June

1. Muriel Ha'apue-Dakame – Chairlady
2. David K.C. Quan, M.B.E. – Member
3. James Apaniai – Member
4. John Bosco Houanihau – Member
5. Rovaly Sike – Member

June – December

1. Muriel Ha'apue-Dakame – Chairlady

2. David K.C. Quan, M.B.E. – Member
3. James Apaniai – Member
4. Lilly Lomulo – Member
5. James Habu – Member

Number of meetings: 3

HR Sub-Committee

Membership:

January - June

1. John Bosco Houanihau – Chairman
2. David K.C. Quan, O.B.E. – Member
3. Muriel Ha'apue-Dakame – Member
4. James Apaniai – Member
5. Rovaly Sike – Member

June - December

1. Lilly Lomulo – Chairlady
2. David K.C. Quan, O.B.E. – Member
3. Muriel Ha'apue-Dakame – Member
4. James Apaniai – Member
5. James Habu – Member

Number of meetings: 3

Technical Sub-Committee

Membership:

January - June

1. Rovaly Sike – Chairman
2. David K.C. Quan, O.B.E. – Member
3. Muriel Ha'apue-Dakame – Member
4. James Apaniai – Member
5. John Bosco Houanihau – Member

June - December

1. James Habu – Chairman
2. David K.C. Quan, O.B.E. – Member
3. Muriel Ha'apue-Dakame – Member
4. James Apaniai – Member
5. Lilly Lomulo – Member

Number of meetings: 3

Solomon Islands Electricity Authority
trading as SOLOMON POWER
For the year ended 31 December 2022

Contents

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Directors' report

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Solomon Islands Electricity Authority ("SIEA" or "the Authority"), trading as Solomon Power, as at 31 December 2022 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and report as follows:

Directors
The Directors who were in office at the date of this report and at any time during the financial year and up until the date the financial statements were authorised for issue were as follows:

Name
David K.C. Quan O.B.E – Chairman
James Apaniai
James Habu - (appointed on 17 June 2022)
Lilly Lomulo - (appointed on 17 June 2022)
Muriel Ha'apue-Dakamae
John B Houanihau - (appointment term ended on 17 June 2022)
Rovaly Sike - (appointment term ended on 17 June 2022)

State of affairs
In complying with the Electricity Act (Cap 128) and the State Owned Enterprises Act of 2007, the Directors hereby submit the financial statements of SIEA consisting of the statement of financial position as at 31 December 2022, statement of comprehensive income, statement of changes in equity and statement of cash flows of SIEA for the year then ended.

Principal activity
The principal activity of SIEA during the year was the generation, distribution and sale of electricity in the Solomon Islands as governed by the Electricity Act (Cap 128).

Results
The total comprehensive income for the year was $75,699,634 (2021: $146,039,831).

Dividends
The Directors have declared and paid a dividend of SBD 4,000,000 for the financial year ended 2022 (2021: $4,000,000).

Going concern
The Directors believe that the Authority will be able to continue to operate for at least 12 months from the date of this report.

Assets
The Directors took reasonable steps before the Authority's financial statements were made out to ascertain that the assets of the Authority were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

At the date of this report, the Directors were not aware of any circumstances which would render the values attributable to the assets in the financial statements misleading.

Transfer from asset revaluation reserves to retained earnings
The Directors resolved to transfer $633,901 (2021: $169,757) from asset revaluation reserves to retained earnings as a result of the de-recognition of assets during the financial year.

Bad and doubtful debts
The Directors took reasonable steps before the Authority's financial statements were made out to ascertain that all known bad debts were written off and adequate provision was made for doubtful debts.

At the date of this report, the Board members are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the provision for doubtful debts, inadequate to any substantial extent.

Directors' benefits
No director of the Authority has, since the last financial year, received or become entitled to receive any benefit (other than benefits included in the amount of consultancy fees and directors fees and expenses or shown in the financial statements under related party note) by reason of a contract made with the Authority or a related corporation with the director or with a firm of which he/she is a member or with a company in which a director has a substantial financial interest.

Unusual transactions
The results of the Authority's operations during the financial year have not, in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

Other circumstances
At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which render amounts stated in the financial statements misleading.

Dated at Honiara this 30 day of March 2023.

Signed in accordance with a resolution of the Directors.

Director **Director**

Solomon Islands
Office of the Auditor-General

Independent Auditor's Report to the Members of Solomon Islands Electricity Authority Trading as Solomon Power

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Solomon Islands Electricity Authority (the Authority) which comprise the Statement of Financial Position as at 31 December 2022, and the Statements of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 27.

In my opinion the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, and the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and my auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report to the Members of Solomon Islands Electricity Authority Trading as Solomon Power
Report on the Audit of the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate 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 I identify during my audit.

Independent Auditor's Report to the Members of Solomon Islands Electricity Authority Trading as Solomon Power

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

I have obtained all the information and explanations which, to the best of my knowledge and belief, are necessary for the purposes of my audit.

In my opinion:

i) proper books of account have been kept by the Authority, sufficient to enable financial statements to be prepared, so far as it appears from my examination of those books;

ii) to the best of my knowledge and according to the information and explanations given to us, the financial statements give the information required by the Electricity Act (Cap. 128) State Owned Enterprises Act 2007 and Public Finance and Audit Act (Cap. 120) in the manner so required; and

iii) the Authority complied with the requirements of the State Owned Enterprises Act, 2007, which requires the audited financial statements to be submitted to the Minister within three months of the financial year end to which the financial statements relate.

David Dennis
Auditor General
30 March 2023

Office of the Auditor General
Honiara, Solomon Islands

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

	Notes	2022	2021
		$	$
Operating income			
Electricity sales	6 (a)	562,746,992	451,094,838
Amortisation of deferred income	19	8,370,221	8,254,407
Other operating income	8	13,375,129	7,855,479
Total operating income		**584,492,341**	**467,204,724**
Expenses			
Generation and distribution	9	315,229,838	221,360,790
Administration	10	68,924,855	65,819,049
Operating	11	28,761,937	25,120,409
Depreciation and amortisation	13	85,050,084	67,633,604
Depreciation of right-of-use assets	23	3,318,636	4,364,342
Interest expense		1,576,846	1,519,709
Inventory and asset write-off		1,083,393	622,523
Credit impairment charge	16	1,855,005	6,386,232
Impairment decrement - property, plant & equipment	13	228,193	278,515
Total expenses		**506,028,786**	**393,105,173**
Gain from operations		**78,463,555**	**74,099,551**
Foreign exchange (loss) / gain		(2,763,921)	222,383
Net profit for the year		**75,699,634**	**74,321,934**
Other comprehensive income			
Revaluation increment - property, plant & equipment	13	-	71,717,897
Total comprehensive income for the year		**75,699,634**	**146,039,831**

The notes disclosed on pages 38 to 60 are an integral part of the financial statements.

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Statement of financial position
As at 31 December 2022

Assets	Notes	2022 $	2021 $
Current assets			
Cash and cash equivalents	14	287,423,413	305,161,911
Inventories	15	75,549,461	59,400,027
Receivables	16	58,888,647	65,009,253
Prepayments		19,477,750	15,948,459
Total current assets		**441,339,271**	**445,519,649**
Non-current assets			
Property, plant and equipment	13	1,210,510,152	1,134,986,283
Right-of-use assets	23	8,355,349	6,199,391
Government bonds	17	95,714,286	70,000,000
Total non-current assets		**1,314,579,787**	**1,211,185,674**
Total assets		**1,755,919,058**	**1,656,705,323**
Liabilities			
Current liabilities			
Deferred income	19	8,370,221	8,254,407
Trade and other payables	20	68,876,372	38,006,766
Lease liabilities	23	2,626,413	1,640,980
Borrowings from SIG	21	2,802,313	2,802,313
Employee benefits	22	4,007,121	2,716,880
Total current liabilities		**86,682,440**	**53,421,346**
Non-current liabilities			
Deferred income	19	130,354,593	136,457,859
Lease liabilities	23	2,252,858	1,126,723
Borrowings from SIG	21	15,404,982	15,176,609
Employee benefits	22	16,466,117	17,464,354
Total non-current liabilities		**164,478,550**	**170,225,545**
Total liabilities		**251,160,991**	**223,646,891**
Equity			
Contributed capital	18	246,933,170	246,933,170
Asset revaluation reserve		444,793,114	445,427,015
Accumulated profit		813,031,783	740,698,247
Total equity		**1,504,758,067**	**1,433,058,432**
Total equity and liabilities		**1,755,919,058**	**1,656,705,323**

Signed for and on behalf of the Board of Directors

Director **Director**

The notes disclosed on pages 38 to 60 are an integral part of the financial statements.

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Statement of changes in equity
For the year ended 31 December 2022

	Notes	Contributed capital	Asset revaluation reserves	Accumulated retained earnings	Total
		$	$	$	$
Balance at 1 January 2021		**246,933,170**	**373,878,875**	**670,206,556**	**1,291,018,601**
Total comprehensive income for the year					
Net profit for the year		-	-	74,321,934	74,321,934
Revaluation of land and buildings	13	-	71,717,897		71,717,897
Disposal of revalued property, plant and equipment		-	(169,757)	169,757	-
Transaction with owners of SIEA directly recognised in equity					
Dividend paid during the year		-	-	(4,000,000)	(4,000,000)
Balance at 31 December 2021		**246,933,170**	**445,427,015**	**740,698,247**	**1,433,058,433**
Total comprehensive income for the year					
Net profit for the year		-	-	75,699,634	75,699,634
Disposal of revalued property, plant and equipment		-	(633,901)	633,901	-
Transactions with owners of SIEA directly recognised in equity					
Dividend paid during the year		-	-	(4,000,000)	(4,000,000)
Balance at 31 December 2022		**246,933,170**	**444,793,114**	**813,031,783**	**1,504,758,067**

The notes disclosed on pages 38 to 60 are an integral part of the financial statements.

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Statement of cash flows
For the year ended 31 December 2022

	Notes	2022	2021
		$	$
Operating Activities			
Cash receipts from customers		573,786,482	443,535,208
Cash payments to suppliers and employees		(400,288,529)	(317,612,207)
Interest income	8	6,024,543	5,189,823
Interest expense		(1,576,846)	(1,519,709)
Net cash provided by Operating Activities		**177,945,650**	**129,593,115**
Investing Activities			
Acquisition of Government bonds		(30,000,000)	-
Receipt on Government bonds		4,285,714	-
Acquisition of property, plant and equipment	13	(161,867,819)	(115,157,221)
Net cash used in Investing Activities		**(187,582,105)**	**(115,157,221)**
Financing Activities			
Dividend paid		(4,000,000)	(4,000,000)
Repayment of SIG Borrowings	21	(2,810,054)	(2,711,673)
Cash receipts from donor grants		2,071,036	15,162,565
Payment for lease liability	23	(3,363,026)	(5,440,531)
Net cash provided by Financing Activities		**(8,102,045)**	**3,010,361**
Net decrease in cash and cash equivalents		(17,738,500)	17,446,255
Cash and cash equivalents at 1 January		305,161,913	287,715,658
Cash and cash equivalents at 31 December	14	**287,423,413**	**305,161,913**

The notes disclosed on pages 38 to 60 are an integral part of the financial statements.

1 Reporting entity
Solomon Islands Electricity Authority (SIEA or Authority) is a state owned enterprise established under the Electricity Act (Cap 128) 1969. SIEA's registered office and principal place of business is at the Ranadi Complex, Solomon Islands.
There are no subsidiary companies.

2 Nature of operations
The principal activity of SIEA is the generation, distribution and sale of electricity in the Solomon Islands. SIEA is the owner and operator of the Solomon Island Government's owned electricity supply systems.

3 Basis of preparation
The financial statements have been presented in accordance with the State-Owned Enterprise Act 2007, and in accordance with accepted reporting principles. The financial statements comply with International Financial Reporting Standards (IFRS).

a) Presentation of currency
The financial statements are presented in Solomon Islands Dollars ("SBD"), which is SIEA's functional and presentation currency. All financial information is presented in Solomon Islands Dollars and has been rounded to the nearest dollar, except when otherwise indicated.

4 Measurement basis
The measurement basis adopted in the preparation of these financial statements is historical cost unless stated otherwise.

5 Use of estimates and judgments
The preparation of the financial statements in conformity with IFRS 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. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments 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 6 (c) – Impairment of non-derivative financial assets
• Note 6 (e) (iii) – Revaluation of property, plant and equipment
• Note 6 (e) (iv) – Impairment of non-financial assets
• Note 6 (f) – Employee benefits

6 Summary of significant accounting policies

a) Revenue

Under IFRS 15, revenue is recognised by the Authority when or as it satisfies a performance obligation by transferring a service to a customer, either at a point in time (when) or over time (as). For the generation, distribution and sales of electricity, the customer simultaneously receives and consumes the benefits provided as the Authority renders the service. This has resulted in revenue from sale of electricity being recognised over time.
Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. SIEA recognises revenue when it transfers control over a product or service to a customer.

Nature and timing of satisfaction of performance obligations and significant payment terms

There is an implied contract between a customer and the Authority for the purchase, delivery, and sale of electricity. This represents a promise to transfer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. The customer obtains control of the good (electricity) when delivered and consumed by them over time.

Invoices are issued monthly and are usually payable within 30 days thus there is no significant financing component.

Contract with customers permit quantities of electricity consumed to be estimated based on previous months' average consumption in the event the Authority could not conduct the monthly meter readings.

Revenue including upfront fees is recognised net of GST and discount over time and the progress is determined based on kilowatts (units) consumed. This provide a faithful depiction of the transfer of the good as the customer simultaneously receives and consumes the benefits provided by the Company's performance of the electricity revenue contract.

6 Summary of significant accounting policies *continued*

a) Revenue (continued)

The transaction price is determined based on approved tariffs at the time the service had been rendered and units of kilowatts consumed by the customers. The transaction price includes the non-refundable upfront fees as it not considered to be a significant material right. The transaction price is considered to be variable due to the following:

- Tiered-pricing for domestic, commercial and industrial customers; and
- Estimate of unbilled electricity supplied to 'domestic' customers

The variable consideration is included in the transaction price only to the extent that it is 'highly probable' that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. For Solomon Power however the considerations are constrained because it is calculated based on actual units consumed during the period, thus consideration for the period is known.

	2022	2021
	$	$
Revenue from contracts with customers		
Kilowatt sales	407,001,027	321,838,135
Cash Power sales	154,780,143	128,496,452
Sales works	965,822	760,251
	562,746,992	451,094,838
Other revenue		
Amortisation of deferred income	8,370,221	8,254,407
Interest received	6,024,543	5,189,823
Income from asset relocation	2,812,303	-
Stale cheques	-	349,340
Other income	4,538,283	2,316,316
Total revenue	584,492,341	467,204,724

b) Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Authority becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Authority changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Authority may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Authority may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

6 Summary of significant accounting policies *continued*

b) Financial instruments (continued)

Financial assets: Business model assessment

The Authority makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
– how the performance of the portfolio is evaluated and reported to the Authority's management;
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and,
– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Authority's recognition of the assets.
Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Authority considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Authority considers:

– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable rate features;
– prepayment and extension features; and,
– terms that limit the Authority's claim to cash flows from specified assets (e.g. nonrecourse features).

A prepayment feature is consistent with solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss. These include short term investments (term deposits).
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. The Authority's equity investments (if any) would relate to investments in listed securities.

6 Summary of significant accounting policies *continued*

b) Financial instruments (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition
Financial assets
SIEA derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which SIEA neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
SIEA enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
SIEA derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. SIEA also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value .
On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, SIEA currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

c) Impairment of non-derivative financial assets
Financial instruments:
SIEA recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost.
SIEA measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12 month ECL
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and cash at bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECL as it does not include significant financing component.
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Authority considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Authority's historical experience and informed credit assessment and including forward-looking information.
SIEA assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.
SIEA considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to SIEA in full, without recourse by the Authority to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

SIEA considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Authority considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency Standards & Poor's.
Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
The maximum period considered when estimating ECLs is the maximum contractual period over which SIEA is exposed to credit risk.

Measurement of ECLs:
ECLs are a probability-weighted estimate of credit losses. They are measured as follows: the present value of all cash shortfalls (i.e. the difference between the cash flows owed to the authority in accordance with the contract and the cash flows that SIEA expects to receive).
ECLs are discounted at the effective interest rate of the financial asset.

6 **Summary of significant accounting policies** ***continued***

c) **Impairment of non-derivative financial assets (continued)**

Credit-impaired financial assets:

At each reporting date, the Authority assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or being more than 90 days past due;
– it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off:

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when SIEA determines that the debtor does not have assets or sources of income or adequate customer deposits that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Authority's procedures for recovery of amounts due.

d) **Inventories**

Inventory is recorded at the lower of cost and net realisable value after due consideration for excess and obsolete items. The cost of inventories is based on a weighted average basis and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

e) **Property, plant and equipment**

Property, plant and equipment are initially recognised at cost less accumulated depreciation and impairment losses. Cost is determined by including all costs directly associated with bringing the assets to their location and condition for their intended use. The recognition threshold is $5,000.

Purchased items including software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have materially different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within other income/other expenses in statement of comprehensive income. When revalued assets are sold, any related amount included in the asset revaluation reserve is transferred to retained earnings.

Certain easements may have been donated by the Crown. These are recognised at cost ($nil) plus any direct cost associated with putting the easement in place.

i. **Subsequent expenditure**

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

6 Summary of significant accounting policies *continued*

e) Property, plant and equipment (continued)

***ii.* Depreciation**

Depreciation is based on either the cost or revalued amount 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 of property, plant and equipment is calculated using the straight line method to write down the cost or revalued amount of property, plant and equipment to its estimated residual value over its estimated useful life.

The standard estimated useful lives and depreciation rates for SIEA asset classes are as follows:

- Land - Freehold - unlimited
- Land - Leasehold - amortised over the term of the lease
- Buildings - Operational including power stations - 20 to 30 years
- Buildings - Non-operational - 15 to 50 years
- Generators - 10 to 40 years
- Plant & equipment - 10 to 25 years
- Distribution network - 20 to 60 years
- Furniture & equipment - 5 years
- Furniture & equipment - Information technology - 3 to 5 years
- Motor vehicles - 5 years
- Tools - 3 to 5 years

The useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

***iii.* Revaluation of property, plant and equipment**

Land, buildings, generators and plants are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation of assets. The fair values are recognised in the financial statements of SIEA, and are reviewed at the end of each reporting period to ensure that the carrying value of assets is not materially different to their fair values.

The primary valuation methodologies used in valuing land and buildings are the direct comparison and income capitalisation approaches cross checked with cost approach. These methodologies use market derived assumptions, including rents, capitalisation and terminal rates, and discount rates obtained from analysed transactions. The adopted methodologies are considered to provide the best estimate of value.

The Directors propose to have such asset revaluations every three or five years.

Electricity infrastructure assets are valued on an optimised depreciated replacement cost (ODRC) approach. The ODRC valuation of electricity assets is generally considered to represent the minimum cost of replacing or replicating the service potential embodied in the network with modern equivalent assets in the most efficient way possible from an engineering perspective, given the service requirements, the age and condition of the existing assets and replacement in the normal course of business.

Any revaluation increase arising on the revaluation of assets is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of assets is charged as an expense in statement of comprehensive income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued assets is charged to profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, is transferred directly to retained earnings.

***iv.* Impairment of non-financial assets**

At each reporting date, SIEA reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are largely independent from other assets, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase through OCI.

6 Summary of significant accounting policies *continued*

e) Property, plant and equipment (continued)

***v.* Intangible assets**

The cost of acquiring an intangible asset is amortised from the date the underlying asset is held ready for use on a straight line basis over the period of its expected benefit, which is as follows:

- Software - 3 to 7 years
- Easements - indefinite

Easements are deemed to have an indefinite useful life, as the contracts do not have a maturity date and SIEA expects to use the easements indefinitely. Therefore, easements are not amortised. Their value is assessed annually for impairment, and their carrying value is written down if found impaired. SIEA capitalises the direct costs associated with putting the easements in place. These costs include registration and associated legal costs and also any injurious affection payments. Where SIEA buys land and then establishes an easement, a valuation is obtained for the easement. This valuation is used as deemed easement cost and capitalised, with a corresponding reduction in the land valuation.

For intangibles with a finite life, where the periods of expected benefit or recoverable values have diminished due to technological change or market conditions, amortisation is accelerated or the carrying value is written down.

***vi.* Capital work in progress**

Capital work in progress is recorded at cost. Cost is determined by including all costs directly associated with bringing the assets to their location and condition. Finance costs incurred during the period of time that is required to complete and prepare the asset for its intended use are capitalised as part of the total cost for capital work in progress. The finance costs capitalised are based on the company's weighted average cost of borrowing. Assets are transferred from capital work in progress to property, plant and equipment as they become operational and available for its intended use.

f) Employee benefits

Provision is made for benefits accruing to employees when it is probable that settlement will be required and they are capable of being measured reliably.

Short-term benefits

Short-term benefits comprises of accrued salaries and wages, bonus, annual leave, and entitlement to Solomon Islands National Provident Fund are expenses as the related service is provided.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the rate expected to apply at the time of settlement.

Long-term benefits

A early retirement scheme is a long-term benefit provided by SIEA to its employees.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured at the present value of the estimated cash flows to be made by SIEA in respect of future benefits that employees have earned in return for their services in the current and prior periods.

For each future year the amounts of entitlements expected to be paid on termination of employment have been determined by making a projection of each employee based on their current salary, age and service, as well as assumed rates of death, disablement, retirement, resignation and rates of inflation. The resulting cash flows have then been converted to a present value by discounting from the expected date of payment to the valuation date at the assumed discount rate to determine the total liability.

g) Taxation

Under the Electricity Act, SIEA is exempt from income tax.

h) Foreign currency transactions

Transactions denominated in a foreign currency that are not hedged are converted at the prevalent exchange rate at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates prevailing at balance sheet date. Exchange differences arising on the translation or settlement of accounts payable and receivable in foreign currencies are recognised in the statement of comprehensive income.

i) Cash flow statement

For the purposes of the cash flow statement, cash is considered to be cash held in bank accounts (net of bank overdrafts) plus highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value. Cash flows from certain items are disclosed net, due to the short term maturities and volume of transactions involved.

6 Summary of significant accounting policies *continued*

j) Grants

An unconditional grant related to an asset is recognised in profit or loss as other income when the grant becomes receivable.

Other grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and SIEA will comply with the conditions associated with the grant and are then recognised in statement of comprehensive income as other income on a systematic basis over the useful life of the asset. Grants that compensate SIEA for expenses incurred are recognised in profit or loss as other operating income in the same periods in which the expenses are recognised.

k) Provisions

SIEA recognises provisions when there is a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation at reporting date. Where a provision is measuring the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flows.

l) Leases

At inception of contract, SIEA assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, SIEA assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified;
- SIEA has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- SIEA has the right to direct the use of the asset. SIEA has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, SIEA has the right to direct the use of the asset if either:
    - SIEA has the right to operate the asset; or
    - SIEA designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, SIEA allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, SIEA has elected not to separate non-lease components and account for the leases and non-lease components as a single lease.

As a lessee

SIEA recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, SIEA's incremental borrowing rate. Generally, SIEA uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that SIEA is reasonably certain to exercise, lease payments in an optional renewal period if SIEA is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless SIEA is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured where there is a change in future lease payments arising from a change in an index or rate, if there is a change in SIEA's estimate of the amount expected to be payable under a residual value guarantee, or if SIEA changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

SIEA has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, temporary staff residences and leases of low-value assets, including IT equipment. SIEA recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

6 Summary of significant accounting policies ***continued***

l) Leases (continued)

When SIEA acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, SIEA makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, SIEA considers certain indicators such as whether the lease is for the major part of the economic life of the asset.
When SIEA is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which SIEA applies the exemption described above, then it classifies the sub-lease as an operating lease.
If an arrangement contains lease and non-lease components, SIEA applies IFRS 15 to allocate the consideration in the contract.

7 Financial risk management
Overview
SIEA has exposure to the following risks from its use of financial instruments:
i) Credit risk
ii) Liquidity risk
iii) Market risk
iv) Interest rate risk
This note presents information about SIEA's exposure to each of the above risks and SIEA's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of SIEA's risk management framework. SIEA's risk management policies are established to identify and analyse the risks faced by SIEA, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and SIEA's activities. SIEA, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.
SIEA's Board oversees how management monitors compliance with SIEA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by SIEA. The Board is assisted in their oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and processes, the result of which is reported to the Board.
The above risks are limited by SIEA's financial management policies and procedures as described below:

i) **Credit risk**
Credit risk is the risk of financial loss to SIEA if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from SIEA's receivables from customers, investment in debt securities, and cash and call deposits.
SIEA's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of SIEA's customer base, including the default risk of the industry as these factors may have an influence on credit risk.

The carrying amount of financial assets represents the maximum credit exposure.

Expected credit loss assessment
Trade receivables
SIEA uses a provision matrix to determine the lifetime expected credit losses. It is based on the SIEA's historical observed default rates, and is adjusted by a forward-looking estimate that includes the probability of a worsening economic environment within the next year. At each reporting date, the Authority updates the observed default history and forward-looking estimates.
SIEA uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a large number of balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

7 Financial risk management ***continued***

i) Credit risk (continued)

The following tables provide information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers categorised into kilowatt debtors and cash power debtors as at:

Kilowatt debtors:

	Weighted average loss rates	Gross carrying amount	Loss allowance	Credit impaired
2022	%	$	$	
Current - 30 days past due	12.5%	18,436,644	2,309,219	No
30 - 59 days past due	24.9%	12,900,881	3,216,344	No
60 - 89 days past due	48.8%	3,641,429	1,777,089	No
90 or more days in past due	89.1%	15,928,996	14,193,384	Yes
		50,907,949	21,496,035	
2021				
Current - 30 days past due	12.2%	20,019,480	2,448,730	No
30 - 59 days past due	24.4%	9,453,452	2,304,418	No
60 - 89 days past due	46.1%	6,186,890	2,850,890	No
90 or more days in past due	72.1%	17,274,546	12,456,500	Yes
		52,934,368	20,060,538	

Cash power debtors:

	Weighted average loss rates	Gross carrying amount	Loss allowance	Credit impaired
2022	%	$	$	
Current - 30 days past due	9.7%	53,695	5,208	No
30 - 59 days past due	11.6%	240,587	27,898	No
60 - 89 days past due	12.4%	18,611	2,300	No
90 or more days in past due	32.8%	6,298,057	2,065,034	Yes
		6,610,950	2,100,441	
2021				
Current - 30 days past due	9.7%	749,500	72,702	No
30 - 59 days past due	11.8%	33,128	3,912	No
60 - 89 days past due	12.4%	82,980	10,250	No
90 or more days in past due	31.9%	7,800,890	2,486,898	Yes
		8,666,498	2,573,762	

Loss rates are based on actual credit loss experienced over the past three years.
The movement in the allowance for impairment in respect of trade receivables and other receivables during the year is disclosed in note 16.

Impairment on other receivables from Solomon Islands Government and state-owned entities has been measured on the 12 month expected loss basis, and the resulted impairment losses is not considered material by management on reporting date.

Cash and cash equivalents

SIEA held cash and cash equivalents of $287,423,413 at 31 December 2022 (2021: $305,161,911). The cash is held with different banks, whose ratings ranged from Aa3 to Caa1 based on Moody's credit ratings.

Impairment on cash and cash equivalents has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures.

SIEA uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

Accordingly, due to short maturities, the authority did not recognise an impairment allowance against cash and cash equivalents as at 31 December 2022 (2021: $nil)

Debt investment securities
SIEA held debt investment securities of $95,714,286 at 31 December 2022 (2021: $70,000,000). The debt investment securities are held with institutions which are rated Aa3 to B3 based on Moody's credit ratings. In relation to debt investment securities held with these Institutions, the Authority monitors changes in credit risk by tracking published external credit ratings but when external credit ratings are not available or published, SIEA monitors changes in credit risk by reviewing available press and regulatory information.

Impairment on debt investment securities held with banks and Solomon Islands Government has been measured on the 12 month expected loss basis.

The Authority did not recognise an impairment allowance against debt securities as at 31 December 2022 (2021: $nil)

7 **Financial risk management *continued***

ii) Liquidity risk

Liquidity risk is the risk that SIEA will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. SIEA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to SIEA's reputation.

SIEA ensures that it has sufficient cash on hand to meet operational expenses including the servicing of financial obligations but this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities:

31 December 2022

	Carrying amount $	6 months or less $	6-12 months $	Greater than 1 year $	Total $
Financial liabilities					
Trade, other payables and contracted liabilities	66,176,229	66,176,229	-	-	66,176,229
Solomon Islands Government loan	18,207,295	1,765,303	1,737,279	17,169,046	20,671,628
Lease liability	4,879,271	1,523,970	1,395,970	3,870,844	6,790,784
	89,262,795	69,465,501	3,133,250	21,039,890	93,638,641

31 December 2021

	Carrying amount $	6 months or less $	6-12 months $	Greater than 1 year $	Total $
Financial liabilities					
Trade, other payables and contracted liabilities	34,418,193	34,418,193	-	-	34,418,193
Solomon Islands Government loan	17,978,922	1,760,735	1,732,712	16,974,190	20,467,637
Lease liability	2,767,703	1,554,443	556,195	2,659,800	4,770,438
	55,164,818	37,733,371	2,288,907	19,633,990	59,656,268

iii) Market risk

Market risk is the risk that changes in market prices, such as fuel prices, foreign exchange rates and interest rates will affect SIEA's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Fuel price risk

SIEA is subject to a monthly tariff review. The tariff is based on the Electricity Tariff (Base Tariff and Tariff Adjustments) Regulations 2016 which is adjusted every month for the Honiara Consumer Price Index (CPI), the Producers Price Index (PPI, USA), the exchange rate between the US$ and SBD and the fuel price movements. Fuel costs of $259 million (2021: $172 million) comprises 51% (2021: 44%) of the expenditure of SIEA, so movements in fuel prices are critical to the profitability of SIEA. The monthly tariff review however considers the fuel price movements, the CPI, PPI and exchange rate changes, therefore there is a natural hedge against market movements.

A change of 100 basis points (bp) in fuel pricing at the reporting date would have increased/ (decreased) profit or loss by amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss 100bp decrease $000	100bp increase $000
Revenue	555,200	613,700
Expenditure	482,893	534,693
Net Profit	72,307	79,007

iv) Interest rate risk

Interest rate risk is the risk that a change in interest rates will impact net interest costs and borrowings.

SIEA has invested in debt securities and has interest-bearing borrowing from the Solomon Islands Government. These are at a fixed interest rate during the term of the instruments.

Given the fixed nature of interest rates described above, the Authority has a high level of certainty over the impact on cash flows arising from interest income and interest expenses. Accordingly, SIEA does not require simulations to be performed over impact on net profits arising from changes in interest rates.

Furthermore, for those financial assets and financial liabilities which are not carried at fair value, their carrying amount is considered a reasonable approximation of fair value.

v) Currency risk

The Authority is exposed to currency risk to the extent that there is a mismatch between the currencies in which purchases, and borrowings are denominated and the respective functional currencies. The Authority does not have significant exposure to currency risk.

	Note	2022 $	2021 $
8 Other operating income			
Other		2,380,434	1,463,185
Relocation Claims		2,812,303	-
Stale cheques		-	349,340
Reconnections		2,500	1,500
Gain on disposal of fixed assets		84,314	-
Interest received		6,024,543	5,189,823
Unconditional grant income		2,071,036	851,631
		13,375,129	7,855,479
9 Generation and distribution			
Fuel		259,209,488	171,791,473
Bought in Electricity		-	-
Lubricating oil		3,075,027	3,442,105
Other		2,962,349	2,820,000
Personnel	12	38,229,766	30,313,319
Repairs and maintenance		11,753,208	12,993,893
		315,229,838	221,360,790
10 Administration			
Advertising		650,946	519,798
Bank fees		176,979	167,124
Computer bureau charges		2,042,059	2,117,925
Consultancy fees		5,084,613	3,567,855
Directors fees and expenses		284,974	303,432
Electricity		3,843,033	3,191,351
Electricity rebate		6,849,639	5,483,371
Freight		600,028	372,802
Insurance		2,982,319	3,181,750
Personnel	12	30,872,333	32,570,280
Printing and stationery		2,031,251	2,012,397
Professional fees		1,462,385	682,530
Property expenses		5,694,598	4,623,869
Telecommunications		4,045,324	3,999,837
Travel and accommodation		2,304,377	3,024,729
		68,924,855	65,819,049
11 Operating expenses			
Customs handling charges		2,085,494	4,089,819
Personnel	12	18,291,463	13,622,731
Repairs and maintenance		3,900,854	2,718,078
Vehicle costs		4,484,126	4,689,781
		28,761,937	25,120,409
12 Personnel expenses			
Salaries and wages		50,368,233	47,391,900
NPF		3,118,763	3,094,699
Retirement benefit expense		3,022,094	3,125,844
Others		30,884,471	22,893,887
		87,393,562	76,506,330
Personnel expenses classed by function is as follows:			
Generation and distribution		38,229,766	30,313,319
Administration		30,872,333	32,570,280
Operating expenses		18,291,463	13,622,731
		87,393,562	76,506,330

Average number of employees during the year was 308 (2021: 295)

13 Property, plant and equipment

	Land SBD	Buildings SBD	Generators SBD	Plant and equipment SBD	Distribution network SBD	Furniture & equipment SBD	Motor vehicles SBD	Tools SBD	Work in progress SBD	Total SBD
Cost / Revaluation										
Balance as 1 January 2021	63,564,216	204,145,939	276,999,889	111,121,693	349,022,869	36,401,422	31,020,851	12,543,641	221,012,626	1,305,833,146
Off set of accumulated depreciation as a result of a revaluation	(18,173,726)	(32,130,633)	-	-	-	-	-	-	-	(50,304,359)
Adjustment to asset revaluation reserve resulting from a	55,945,268	15,772,630	-	-	-	-	-	-	-	71,717,897
Reclassifications	-	(45,723,070)	-	45,723,070	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	115,157,221	115,157,221
Disposals	-	(702,973)	-	-	-	-	(1,340,005)	-	-	(2,042,978)
Work in progress capitalised	383,440	24,195,192	16,730,980	2,198,077	31,902,816	3,452,570	10,888,380	1,416,466	(91,167,921)	-
Balance at 31 December 2021	101,719,198	165,557,084	293,730,869	159,042,840	380,925,685	39,853,992	40,569,226	13,960,107	245,001,926	1,440,360,928
Additions	-	-	-	-	-	-	-	-	161,867,819	161,867,819
Disposals	-	(1,016,000)	(4,212,965)	(49,997)	-	(1,477,505)	(8,391,439)	(5,685)	-	(15,153,591)
Work in progress capitalised	2,798,400	10,189,062	7,664,116	6,691,900	20,435,151	3,016,086	4,270,726	1,510,793	(56,576,233)	-
Impairment	-	-	(3,563,625)	(837,649)	-	-	-	-	-	(4,401,273)
Balance at 31 December 2022	104,517,598	174,730,146	293,618,395	164,847,094	401,360,836	41,392,574	36,448,513	15,465,215	350,293,512	1,582,673,883
Breakdown of cost/revaluation										
Revaluations	90,633,902	61,286,867	46,041,383	68,875,448	177,955,515	-	-	-	-	444,793,115
Cost	13,883,696	113,443,279	247,577,012	95,971,646	223,405,321	41,392,574	36,448,513	15,465,215	350,293,512	1,137,880,768
Balance at 31 December 2022	104,517,598	174,730,146	293,618,395	164,847,094	401,360,836	41,392,574	36,448,513	15,465,215	350,293,512	1,582,673,883
Accumulated depreciation and impairment loss										
Balance as 1 January 2021	15,830,495	34,737,185	106,606,158	22,377,891	52,276,037	22,600,129	25,124,360	9,635,085	-	289,187,340
Depreciation	-	7,476,945	22,693,553	8,758,370	15,825,926	4,933,409	2,894,849	1,652,196	-	64,235,249
Amortisation of leasehold land	3,398,355	-	-	-	-	-	-	-	-	3,398,355
Off set of accumulated depreciation as a result of a revaluation	(18,173,726)	(32,130,633)	-	-	-	-	-	-	-	(50,304,359)
Reclassifications	-	(9,144,487)	-	9,144,487	-	-	-	-	-	-
Depreciation on disposed assets	-	(159,092)	-	-	-	-	(1,261,363)	-	-	(1,420,455)
Impairment	-	-	-	278,515	-	-	-	-	-	278,515
Balance at 31 December 2021	1,055,125	779,918	129,299,711	40,559,263	68,101,963	27,533,538	26,757,846	11,287,281	-	305,374,645
Depreciation	-	9,535,423	26,105,881	8,501,972	17,638,252	4,823,278	4,056,343	1,641,554	-	72,302,703
Amortisation of leasehold land	12,747,381	-	-	-	-	-	-	-	-	12,747,381
Depreciation on disposed assets	-	(74,917)	(4,212,965)	(7,132)	-	(1,400,992)	(8,391,438)	(474)	-	(14,087,918)
Impairment	-	-	(3,335,432)	(837,649)	-	-	-	-	-	(4,173,080)
Balance at 31 December 2022	13,802,506	10,240,424	147,857,196	48,216,454	85,740,215	30,955,824	22,422,752	12,928,361	-	372,163,731
Carrying amounts										
At 31 December 2020	47,733,721	169,408,754	170,393,731	88,743,802	296,746,832	13,801,293	5,896,491	2,908,556	221,012,626	1,016,645,806
At 31 December 2021	100,664,073	164,777,166	164,431,158	118,483,577	312,823,722	12,320,454	13,811,381	2,672,826	245,001,926	1,134,986,283
At 31 December 2022	90,715,092	164,489,722	145,761,199	116,630,640	315,620,621	10,436,750	14,025,761	2,536,854	350,293,512	1,210,510,152

13 Property, plant and equipment *continued*

SIEA has a policy to revalue infrastructure and property assets every 5 years. While the property assets were revalued in 2021, revaluation for generators and the distribution network will be deferred to 2023 due to no local expertise and the borders were closed for most of 2022 for overseas experts to enter the country. SIEA is of the opinion that there has been no material change in the carrying value of the generators and distribution networks despite the last revaluation conducted by Sinclair Knights Merz (SKM) in 2016 since assets are appropriately maintained.

In 2016 SIEA engaged Sinclair Knights Merz (SKM) to carry out an independent valuation of the following classes of assets:

Generators
Distribution network
Plant and equipment

The valuation methodology utilised by SKM was the optimised depreciated replacement cost (ODRC) approach which is generally considered to represent the minimum cost of replacing the service potential embodied in the network with modern equivalent assets in the most efficient manner from an engineering perspective given the service requirements, the age and condition of the existing assets.

In 2021 SIEA engaged IQV Development Realtors Services to carry out an independent valuation of all land and buildings. Land was valued at fair value, based on average market based evidence and buildings were valued using the replacement cost method upon the appraisal of a professionally qualified valuer. The valuation was completed in December 2021, booked into the accounts from that date, and reflected in the financial statements as at 31 December 2021.

During the revaluation of buildings the replacement cost method required the valuer to use some unobservable inputs which included the standard square metre per area of the buildings, bench marked against the standard per square metre as issued by the Honiara Town Council. In addition, a depreciation rate was applied to the building valuation to the extent of the inspection conducted and the condition of the building, including the current market price of materials for bringing the buildings back to their original state.

In 2016 the combined results of this valuation process was an increase in fixed assets and the asset revaluation reserve of $85,414,971. However, this increase in value was partially offset by an impairment loss of $158,334 which was expensed in profit or loss.

In 2021 the result of the valuation process was an increase in land and building assets and their corresponding reserves of $71,717,897. However, this increase in value has been partially offset by impairment losses totalling $506,708, which have been expensed in profit or loss.

During the year management undertook a fixed asset verification of its buildings, plant and equipment to ascertain its existence and value, which resulted in a disposal loss of $1,083,393 (2021: $622,523), which was the book value of assets not in existence or no longer operational.

	2022	2021
	$	$
Perpetual Estate Land	19,841,962	19,841,962
Fixed Term Estate	70,873,130	80,822,112
	90,715,092	100,664,073

14 Cash and cash equivalents

Short-term deposits	865,638	864,886
Cash on hand	45,000	47,000
Cash at bank	286,512,774	304,250,025
	287,423,413	305,161,911

The short-term deposits amounting to $865,638 (2021: $864,886) are invested with ANZ Banking Group Ltd - Solomon Islands Branch at a rate of 0.5%. The deposits have terms of between on-call and one month. Accordingly, these short-term deposits have been considered as cash and cash equivalents for the purpose of the statement of cash flow.

	2022	2021
	$	$
15 Inventories		
Electrical and mechanical	75,549,461	59,400,027

Fuel and lubricants held on site on consignment basis from the supplier, South Pacific Oil Ltd, through a contract signed in 2018. Therefore, no fuel and lubricants are recorded in SIEA's inventory.

16 Receivables

	2022	2021
Current		
Trade receivables - kilowatt	50,907,949	52,934,368
Allowance for impairment - kilowatt	(21,496,035)	(20,060,538)
Trade receivables - CashPower	6,610,950	8,666,498
Allowance for impairment - CashPower	(2,100,441)	(2,573,762)
Staff advances	388,089	515,046
Allowance for impairment- staff advances	(44,069)	(57,224)
Unread meters	15,821,526	13,646,889
World Bank	2,382,769	5,915,250
Solomon Island Government	4,178,975	4,178,975
Other debtors	2,238,934	1,843,752
	58,888,646.81	65,009,253
Allowance for impairment		
Balance at the beginning of the year	22,691,525	17,056,673
Impairment recognised	1,855,005	6,386,232
Bad debts written off during the year	(905,985)	(751,381)
Balance at 31 December	23,640,545	22,691,525

17 Government bonds

	2022	2021
Government bonds	95,714,286	70,000,000

On 1 December 2018 SIEA purchased Domestic Development Bonds with a face value of $30M from the Solomon Islands Government. The bonds have an interest rate of 5% per annum which is to be paid semi-annually. The bonds have a maturity date of 1 December 2028 and there is a 3 year grace period before principal repayments commence. A total of $4.286M was repaid by the Solomon Islands Government during 2022 leaving an outstanding balance of $25.714M.
On 11 May 2020 SIEA purchased Covid-19 Domestic Development Bonds with a face value of $40M from the Solomon Islands Government. The bonds have an interest rate of 5% per annum which is to be paid semi-annually. The bonds have a maturity date of 11 May 2030 and there is a 3 year grace period before principal repayments commence.
On 8 December 2022 SIEA purchased Domestic Development Bonds with a face value of $30M from the Solomon Islands Government. The bonds have an interest rate of 2% per annum which is to be paid semi-annually. The bonds have a maturity date of 7 December 2024.

18 Contributed capital

	2022	2021
Contributed capital	246,933,170	246,933,170

Contributed capital represents the Solomon Islands Government's equity contributions to SIEA. This is not in the form of shares.

19 Deferred income

	2022 $	2021 $
Balance at 1 January	144,712,266	137,804,108
Additional deferred income	2,382,769	15,162,565
Deferred income recognised during the year	(8,370,221)	(8,254,407)
Balance at 31 December	138,724,814	144,712,266

The deferred income is shown on the statement of financial position as follows:-

Current	8,370,221	8,254,407
Non-current	130,354,593	136,457,859
	138,724,814.03	144,712,266

In 2007, the Government of Japan entered into an agreement with Solomon Islands Government to fund the construction of Lungga Generator and Power Station on behalf of SIEA. The funding of these capital works is a non-reciprocal grant. The value of the capital works was approximately $48 million and has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the statement of comprehensive income over the life of the power station.

In 2014, a grant of approximately $3.2 million was received from the Japanese International Corporation Agency (JICA) to fund a 50 kW solar grid at the Ranadi Headquarters in Honiara. The value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the statement of comprehensive income over the life of the solar grid.

In 2013, a grant of approximately $3.058 million was received from the World Bank through the Solomon Islands Sustainable Energy Project (SISEP) to fund the installation of a 33kV underground power cable from Lungga Power Station to Ranadi Substation. This project was completed in May 2015 and the value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the statement of comprehensive income over the life of the underground power cable.

In 2013, a grant of approximately $1.493 million was received from the World Bank through the Solomon Islands Sustainable Energy Project (SISEP) to fund the installation of 11kV switchgear in Honiara Power Station. This project was completed in January 2015 and the value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the statement of comprehensive income over the life of the equipment.

In 2013, a grant of approximately $0.839 million was received from the World Bank through the Solomon Islands Sustainable Energy Project (SISEP) to fund the installation of cooling radiators at the Lungga Power Station. This project was completed in June 2015 and the value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the statement of comprehensive income over the life of the radiators.

In 2015, a grant of approximately $0.765 million was received from the Asian Development Bank to fund the construction of a Coconut Oil Conditioning Unit in Auki. The value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the statement of comprehensive income over the life of the unit.

In 2015, a grant of approximately $1.015 million was received from the Asian Development Bank to fund the procurement of a Generator Set in Auki. The value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the statement of comprehensive income over the life of the generator.

19 Deferred income *continued*

In 2015, a grant of approximately $0.867 million was received from the Asian Development Bank to fund the procurement of 11kV and 415V Distribution Equipment for the Auki Power Generation and Distribution Pilot Project. The value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the statement of comprehensive income over the life of the equipment.

In 2016, a grant of approximately $32.5 million was received from the United Arab Emirates Pacific Partnership Fund and the Ministry of Finance and Treasury of the Government of New Zealand to fund a 1000 kW grid connect solar farm at Henderson in Honiara. The value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the statement of comprehensive income over the life of the solar grid.

In 2016, a grant of approximately $1.627 million was received from the Italian Ministry for the Environment, Land and Sea to fund simulation software to enable SIEA to carry out electricity network planning together with the necessary training and consulting services. The deferred income will be amortised to statement of comprehensive income over the life of the project once the full amount of the grant has been utilised and capitalised to the Fixed Asset register.

In 2017 ($1.465 million), 2018 ($3.888 million), 2019 ($9.902 million) and 2020 ($1.596 million) grants were received from the Global Partnership on Output-Based Aid to subsidise the cost of providing electricity to low income households. The deferred income is being amortised to the statement of comprehensive income over the life of the project.

In 2017 ($0.306 million), 2018 ($5.476 million), 2019 ($37.731 million) and 2020 ($6,639 million) grants were received from the Asian Development Bank (ADB) to fund the construction of five grid connected solar power plants in an effort to increase the supply of reliable, clean electricity. The deferred income will be amortised to the statement of comprehensive income over the life of the project once the full amount of the grant (approximately $67 million) has been utilised and the asset capitalised to the Fixed Asset register.

In 2018 ($9.778 million) and 2019 ($9.125 million) was received from the New Zealand Ministry of Foreign Affairs and Trade to expand the access to affordable, reliable and clean energy in rural areas of the Solomon Islands. The deferred income will be amortised to the statement of comprehensive income over the life of the project once the full amount of the grant has been utilised and capitalised to the Fixed Asset register.

In 2018, grants totalling approximately $10.516 million were received from the World Bank through the Solomon Islands Sustainable Energy Project (SISEP) to fund construction of power substations and the installation of transformers at Ranadi, Kola'a Ridge and for the relocation of the 11kV feeder 12 from Lungga Power Station to East Honiara Substation. The projects have been partially completed and where applicable the value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the statement of comprehensive income over the life of the substations, transformers and the feeder.

In 2019 ($0.387 million), 2020 ($15.8 million) and 2022 ($2.4 million) grants were received from the World Bank through the Solomon Islands Electricity Access and Renewable Energy Expansion Project (SIEAREEP) to fund construction of renewable energy hybrid mini-grids, electricity connections in low income areas, grid-connected solar power and the enabling of environment and project management. Total expected grant for the project is around $113.296 million. The deferred income will be amortised to the statement of comprehensive income upon subsequent completion of the specific projects. The capitalisation of the completed project will also be made into the Fixed Asset register.

In 2021 Solomon Power and the Solomon Islands Government signed a collaboration agreement for the implementation of the rural electrification component under the community benefit sharing project. The funding under the collaboration agreement is to assist Solomon Power to construct transmission lines, house wiring and bring electricity to landowners who have provided their land and resources towards Tina River Hydro Project. In 2021, construction works up to $4.179 million has been incurred and accumulated by Solomon Power under deferred income. The amortisation of the deferred income will commence when the project is completed and targeted customers are fully energised.

	2022	2021
	$	$

20. Trade and other payables

	2022 $	2021 $
Current		
Trade creditors	1,516,902	199,571
Other payables and accruals	58,354,132	28,316,689
Contractual liabilities	2,700,144	3,588,573
Consumer deposits	6,305,195	5,901,933
	68,876,372	38,006,766

21 Solomon Islands Government loan agreement

Under an agreement signed with the Solomon Islands Government in June 2014, SIEA has been granted a loan facility of up to $81,883,440 to assist in the financing of the Solomon Islands Sustainable Energy Project (SISEP), at an interest rate of 4% per annum. Under the terms of the agreement the funds have been made available by the Government in a timely manner to facilitate the implementation of SISEP and will be repaid by SIEA over 28 semi-annual payments of principal and interest which commenced from December 2015. The SISEP facility closed on 31st March 2019. To date the following principal amounts have been borrowed and repaid under this loan agreement.

	2022 $	2021 $
Balance at 1 January	17,978,922	20,690,595
Foreign exchange realignment	3,038,428	-
Principal Repayments	(2,810,054)	(2,711,673)
Balance at 31 December	18,207,295	17,978,922

Analysis of borrowings expected to be settled within one year and more than one year:

	2022 $	2021 $
Current	2,802,313	2,802,313
Non-current	15,404,982	15,176,609
	18,207,295	17,978,922

22 Employee entitlements

	2022 $	2021 $
Current	4,007,121	2,716,880
Non-current	16,466,117	17,464,354
	20,473,238	20,181,234

Movement is made up of the following:

	2022 $	2021 $
Opening balance	20,181,234	17,165,878
Provisions made during the year	6,091,113	6,283,150
Provisions utilised during the year	(5,799,108)	(3,267,794)
Closing balance	20,473,238	20,181,234

23 Leases

i) As a lessee

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

	2022 $	2021 $
Property, plant and equipment owned	1,210,510,152	1,134,986,283
Right-of-use assets	8,355,349	6,199,391
Total assets	1,218,865,501	1,141,185,674

23 Leases *continued*

SIEA leases various assets including land and buildings. Information about leases for which SIEA is a lessee is presented below:

Right-of-use assets	**Land**	**Buildings**	**Total**
2022	**$**	**$**	**$**
Balance at 1 January	4,319,167	1,880,223	6,199,391
Additions	56,648	5,417,946	5,474,594
Leases cancelled	-	-	-
Depreciation charge	(82,687)	(3,235,948)	(3,318,636)
Balance at 31 December	4,293,128	4,062,221	8,355,349
2021			
Balance at 1 January	4,400,333	4,971,789	9,372,122
Additions	-	1,728,425	1,728,425
Leases cancelled	-	(536,814)	(536,814)
Depreciation charge	(81,166)	(4,283,176)	(4,364,342)
Balance at 31 December	4,319,167	1,880,223	6,199,391

	2022	**2021**
	$	**$**
Lease liabilities included in the statement of financial position at 31 December		
i.) **As a leasee**		
Current	2,626,413	1,640,980
Non-current	2,252,858	1,126,723
Balance at 31 December	4,879,271	2,767,703
Amounts recognised in profit or loss		
Interest on lease liabilities	554,605	319,542
Variable lease payments not included in the measurement of lease liabilities	-	-
Income from sub-leasing right-of-use assets	-	-
Expenses relating to short-term leases	587,110	93,930
Expenses relating to leases of low-value assets	-	-
	1,141,715	413,472
Amounts recognised in statement of cash flows		
Total cash outflow for leases	3,363,026	5,440,531

24 Related parties

a) Directors

The Directors in office during the financial year were as follows:

Name

David K.C. Quan O.B.E – Chairman
James Apaniai
James Habu - (appointed on 17 June 2022)
Lilly Lomulo - (appointed on 17 June 2022)
Muriel Ha'apue-Dakamae
John B Houanihau - (appointment term ended on 17 June 2022)
Rovaly Sike - (appointment term ended on 17 June 2022)
Directors' fees and expenses are disclosed in Note 10.

SIEA's transactions with Directors were at arms length.

24 Related parties *continued*

b) Identity of related parties

SIEA being a state-owned entity is the sole provider of electricity in Solomon Islands. As a result, Government of Solomon Islands and other government-related entities are its related parties. Other related parties include Directors and key management personnel of SIEA.

c) Amounts receivable from related parties

Included in trade receivables are the following amounts receivable from related entities:

	2022	2021
	$	$
Central Bank of Solomon Islands	151,493	102,839
Central Provincial Government	75,867	26,898
Choiseul Provincial Government	19,462	20,626
Commodity Export Marketing Authority	1,767	(5)
Guadalcanal Provincial Government	54,374	-
Home Finance Corporation	-	62,040
Honiara City Council	2,989,074	455,186
Makira/Ulawa Provincial Government	36,887	56,707
Malaita Provincial Government	2,670,748	1,687,960
Provincial Hospital	617,319	392,716
Solomon Airlines Limited	235,278	342,999
Solomon Islands Broadcasting Corporation	287,494	242,821
Solomon Islands Government	15,811,630	25,411,743
Solomon Islands National University	519,611	381,500
Solomon Islands Ports Authority	6,375	48,064
Solomon Islands Postal Corporation	-	84,980
Solomon Islands Water Authority	-	2,343,788
Temotu Provincial Government	53,442	14,001
Western Provincial Government	55,728	46,649
Isabel Provincial Government	371,298	197,823
	23,957,846	31,919,336

Receivables for the Solomon Islands Water Authority includes the Trade Receivables - kilowatt that relates to this organisation.

d) Transactions with key management personnel

Key management personnel comprises of the Chief Executive Officer, Chief Financial Officer, Chief Engineer, Deputy Chief Engineer, General Manager Corporate Services, General Manager Customer Services, Manager Finance, Manager Regulatory, Manager Land & Buildings, Manager Generation and Outstations, Manager Distribution, Manager Occupational Health Safety, Manager Business Administration, Power Generation Lead Engineer, General Manager Special Projects, Chief Information & Communications Technology Officer, Manager Projects, Manager Construction, Manager Planning, Manager Contracts, Manager Management Accounting, Legal Counsel, OBA Program Manager and the Directors as listed in note 24 (a).

In addition to their salaries, SIEA also provides non-cash benefits to key management personnel and their total compensation comprised of the following:

Short-term employee benefits	11,863,188	13,528,049

Transactions with key management personnel are no more favourable than those available, or which might be reasonably be expected to be available on similar transactions to third parties at arms length.

25 Commitments and contingencies

Capital commitments

SIEA undertakes capital works and purchases assets according to an approved budget when management considers that sufficient funds are available. Capital commitments as at 31 December 2021 amounted to $925,000,000 (2020: $719,000,000). These commitments are in relation to property, plant and equipment.

	2022	2021
	$	$
Less Than 1 Year	238,000,000	197,000,000
Between 1 year and 5 years	898,000,000	728,000,000
	1,136,000,000	925,000,000

Contingent liabilities
Litigation is a common occurrence in the industry due to the nature of the business undertaken. The Authority has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Authority makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on the Authority's legal counsel, the claims against the Authority does not have meritorious grounds and management assessed the claims have reasonable prospects of being struck out. As a result, management believes that its defence in Court or arbitration has reasonable prospects of success. Management also does not consider a reliable estimate can be made at this stage in the event the Authority is not successful though it is considered for this event to occur is remote.

A claim has been made against SIEA in relation to an electrocution incident involving a member of the public in 2018. However, no court proceedings have been instituted. Liability is still in issue. SIEA holds public liability insurance cover. If the claim is covered under SIEA's public liability insurance policy, SIEA's financial exposure might be covered under the insurance policy. The claim is yet to be quantified therefore there is insufficient information to ascertain SIEA's potential financial exposure.

26 Capital management
SIEA's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.
In order to maintain or adjust the capital structure, SIEA may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

27 World Bank Financing

a) Financial Support Received

SIEA has received financial support from the World Bank's International Development Association (IDA) on the Solomon Islands Sustainable Energy Project (SISEP) since July 2008 to improve operational efficiency, system reliability and financial sustainability of SIEA. However, this funding closed on the 31st March 2019. Further, the World Bank, through a multi donor trust fund, has also extended financial support on the Output-Based Aid (OBA) programme since August 2016, for increasing access to electricity services in low-income areas of Solomon Islands. In addition to the SISEP and OBA programmes, the World Bank through the IDA has provided further support under the Solomon Islands Electricity Access and Renewable Energy Expansion Project (SIEAREEP) since October 2018. SIEAREEP's objective is to increase access to grid supplied electricity and increase renewable energy generation in the Solomon Islands.

b) Grants

SIEA has received total grants of USD 11,721,512 from these programmes since their commencement (2021: USD 10,710,972). The 2022 balance consists of the following funds, IDA H9130 – USD 1,948,784, IDA H4150 – USD 3,834,859, TF A2923 - USD 2,193,565, IDA 3270 - USD 3,026,876, TF A7425 - USD 453,120 and TF A718 - USD 264,308.

c) Credit Funds

The credit funds are interest-bearing loans that are required to be repaid and are shown in the current and non-current liabilities as they are drawn down.

d) Use of the Proceeds

The proceeds of the World Bank grants and credits have been utilised in accordance with their intended purpose as specified in their respective agreements.

A summary of the transactions that took place during the year is as follows:

	2022 USD	2021 USD
Designated Account		
Balance at 1 January	879,322	920,277
Receipts	258,464	152,620
Expenditures	186,317	193,575
Balance at 31 December	951,470	879,322
Grants		
TF A2923	-	-
IDA D3270	807,421	918,930
TF A7425	203,120	49,871
TF A7418	-	264,308
Balance at 31 December	1,010,540	1,233,109
Credit Funds IDA 53790		
Balance at 1 January	2,447,472	2,788,234
Principal repayments	332,915	340,761
Exchange Rate Adjustment	49,389	
Balance at 31 December	2,163,946	2,447,472

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Notes to the financial statements
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27 World Bank Financing ***continued***

e) Project Financial Report

	2022 USD	2021 USD	Cumulative (PTD) USD
Balance at 1 January	879,322	920,277	-
Source of Funds			
IDA H4150	-	-	3,834,859
IDA H9130	-	-	1,948,784
TF A2923	-	-	2,193,565
IDA D3270	807,421	918,930	3,026,876
TF A7425	203,120	49,871	453,120
TF A7418	-	264,308	264,308
IDA 53790	-	-	5,925,941
Total Source of Funds	1,010,540	1,233,109	17,647,453
Total Available	1,889,863	2,153,386	17,647,453
Use of Funds			
Component A	-	-	5,622,961
Component B	752,076	788,034	2,173,788
Component C	26,163	223,057	8,209,034
Component D	159,826	262,527	667,089
Component E	329	446	14,557
Total Uses of Funds	938,393	1,274,064	16,687,429
Net Difference	951,470	879,322	960,024
Exchange Gain / (Loss)	-	-	8,555
Closing Balance	951,470	879,322	951,470