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.

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Directors' report *continued*

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

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.

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

	Notes	2022	2021
Assets		**$**	**$**
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	Profit or loss 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

	2022	2021
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:-

	2022 $	2021 $
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		
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 lessee**		
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

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