Our Vision:
Energising our nation.

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

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

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28th March 2018

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

&

The Honourable Manasseh Sogavare MP
Minister of Finance and Treasury
PO Box G26,
Honiara,
Solomon Islands

Dear Honourable Ministers,

SOLOMON ISLANDS ELECTRICITY AUTHORITY (Trading as Solomon Power) ANNUAL REPORT 2017

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

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

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

Yours faithfully,

David K.C. Quan MBE
Chairman
2017 Highlights

- Electricity Tariff (Base Tariff and Tariff Adjustments) Regulations 2016 applied
- Livened up connection to 375 customers under the Output-Based Aid programme
- Improved the reliability of electricity supply
- G-1 operation in Honiara sustained
- Achieved an output of 1.19 GWh from the 1 MW Solar Farm at Henderson
- Commissioned hybrid stations at Seghe and Taro
- Achieved an output of 0.45 GWh from the 150 kW Mini Hydro at Buala
- Increased our focus on the development of the Tina River Hydro Project by:
  - Completing the Due Diligence Studies
  - Completing the route survey and options analysis for the 66 kV transmission lines
  - Completing the assessment of the 50-metre easement and its proposed valuation for the above lines
  - Providing input into the drafting of the Power Purchase Agreement and associated schedules
  - Extending the exclusive development rights to K-water
- Commissioned 11 kV and 415 V network extensions at 10 locations in Honiara
- Constructed and commissioned the 11 kV and 415 V network extension at Kilusakwalo in Auki
- Noise mitigation at Honiara Power Station completed
- Commissioned the new generators at Auki, Munda and Noro
- Streetlights in Honiara repaired and replaced
- Extension of mezzanine floor in the Ranadi Head Office completed
- Progressed the works for the Feeder 12 relocation, Ranadi Substation upgrade and Kola’a Ridge Substation projects
- Tendered the works for the conversion of the existing diesel generation systems at Kirakira, Lata,
  Malu’u, Munda and Tulagi to hybrid generation systems
- Under the World Bank funded SISEP, placed an order for the third 11/33 kV power transformer at Lungga Power Station
- Installed and commissioned 600 Smart Meters at Honiara
- Implemented an operations and maintenance plan for all our network and generation assets
- Continued our focus on safety, nurturing and mentoring
- Continued internal safety, lineman and operator training programmes
- Training of meter technicians, cable jointers, project managers completed

Plans for 2018

- Further improvement in the reliability of electricity supply in Honiara and at the Outstations
- Continue the implementation of the Output-Based Aid (OBA) programme
- Complete 9 more network extensions in Honiara and at the Outstations
- Execute design and construct contracts for the hybrid generation systems at Kirakira, Lata, Malu’u, Munda and Tulagi
- Complete the Smart Meter project at Honiara
- Complete the Feeder 12 relocation, Ranadi Substation upgrade, Kola’a Ridge Substation and the
  Lungga Power Station third power transformer projects
- Execute design and construct contracts for the new hybrid generation systems at Hauhui,
  Namugha, Sasamunga and Vonunu
- Execute a design and construct contract for the hybrid generation system at Kwainamoro, Auki
- Continue implementation of the Vegetation Management Plan
- Develop more new network extensions in Honiara and at the Outstations
- Sign a Power Purchase Agreement for Tina River Hydro Project
- Further develop the project for the installation of more Hybrid Generation Systems
- Progress the development and implementation of a Supervisory Control and Data Acquisition System (SCADA)
- Initiate and commence a project to upgrade the old Lungga Power Station
- Implement the 24/7 Customer Call Centre project
- Continue our focus on safety, training, nurturing and mentoring
- Commence the Apprenticeship programme
About Solomon Islands Electricity Authority  
(trading as Solomon Power)

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

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

To meet these objectives, SP strives to

Be as profitable and efficient as comparable businesses by:
• Within the Electricity and State-Owned Enterprises Acts, installing, operating and maintaining electricity supply systems that meet the needs of connected customers.
• Developing and implementing capital investment plans, to improve electricity system performance and increase the network coverage of agreed areas.
• Seeking to recover efficient costs of the service provision.
• Improving the efficiency of services, whilst improving asset reliability and availability.

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

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

Nature and scope of our activities
SP’s principal commercial activities, as defined under the Electricity Act, are the:
• Generation and distribution of electrical supply to connected customers in approved areas,
• Operation, maintenance and development of assets that are necessary to achieve these outcomes on a long-term, sustainable basis,
• Approved expansion of services to increased areas of operation.

Other regulatory functions
The Company is also mandated by the Electricity Act to perform the following regulatory functions:
• Be responsible for the registration of Electrical Contractors.
• Ensure that industries and contractors comply with the Electricity Act and the AS/NZS Wiring Standards, by inspecting all electrical installations before connecting to SP mains.
• Be responsible for the licensing of standby generators, Independent Power Producers (IPPs) and Cogeneration of power.
Members of the Board

David K.C. Quan
Chairman

Rovaly Sike
Director

Henry Kapu
Director

John Bosco Houanihau
Director

Harry Zoleveke
Director

Sebastian Ilala
Director

Yolande Yates
Director
Senior Management

Pradip Verma
Chief Executive Officer

Martin Sam
Chief Engineer

Delilah Kekea-Homelo
Chief Financial Officer

Arieta Cama
General Manager Corporate Services

Jan Sanga
General Manager Customer Services

Hemant Kumar
General Manager Capital Works

Mathew Korinihona
Manager Distribution

Atkinson Talvat
Manager Generation & Outstations

Janendra Prasad
Electrical Engineer

Robin Simpson
Manager Health & Safety, Security and Environment

Kitione Malugulevu
Regulatory Manager

Dalton Maesia
Manager Human Resources & Administration

Apollos Inasimae
Manager Finance

Sarah Nihopara
Manager Business Performance

Natalie Kairi
Board Secretary

Gavin Gorazu
Manager IT

Levan Respioh
Manager Lands & Buildings

Robin Simpson
Manager Health & Safety, Security and Environment

Droumand Rupert
Senior Human Resources Business Partner

SOLOMON ISLANDS ELECTRICITY AUTHORITY
ANNUAL REPORT 2017
2017 has been a continuation of the strong performance that Solomon Power has demonstrated during the previous six years. It is seven years in a row that Solomon Power has made a profit. Furthermore, the last six years' statutory accounts have all been unqualified, and signed off by the Auditor General before the mandated date of 31st March each year.

During the year, the new generators and associated transformers and switchgear in Gizo, Munda and Noro were brought on line. This has completed the Outstations’ Generator project. The additional generation has placed Solomon Power in good stead with sufficient installed capacity enabling us to achieve G-1 capacity at all our installations in the Provinces.

The total generation increased by 3.5 GWh in comparison with 2016 and, yet, our consumption of fossil fuels was less by 250,000 litres in comparison with 2016. This is attributed to the operation of the Buala 150 kW Hydro plant, the grid connected Solar Farms at Honiara, the new hybrid installations and by the running of the more efficient diesel generators.

In August, we achieved two key milestones; the official inauguration of the hybrid installations at Seghe and Taro and the issuance of the tender to the market for the works to convert our existing diesel-based power stations at Kirakira, Lata, Malu’u, Munda and Tulagi to hybrid systems. Both Seghe and Taro hybrids have been generating clean green energy since mid-2017.

We have commenced work on the next lot of Hybrids stations at Hauhui, Namugha, Sasamunga and Vonunu and anticipate placing contracts for their design, installation and commissioning by August 2018.

It is pleasing to note the progress made during the year on the Output-Based Aid programme with the support of the World Bank. By year end we had livened up connection to 375 customers. This programme envisages grid connection to 2500 new customers and augurs well for Solomon Power and is another enabler to meet our long-term objective of doubling our customer numbers.

The new electricity tariff, which was gazetted just before Christmas 2016 has been successfully applied since 1st January 2017. The tariff in 2017 has seen a drop of 12.0% in comparison with that during 2016.

Solomon Power is committed to renewable energy opportunities, such as the 15 MW Tina River Hydro Project in Guadalcanal and this project of national significance has continued to get our serious and urgent attention.

The continued support of the World Bank, Asian Development Bank, Japan International Cooperation Agency, New Zealand Government and United Arab Emirates Government and other donors to explore opportunities in renewable energy and to drive commercialisation in our operations, is very much appreciated.

I would like to take this opportunity to thank the Shareholders and my colleagues on the Board and the Management Team for the continued support rendered throughout 2017.

David K.C. Quan MBE
Chairman
The year in perspective has been another successful one for Solomon Power (SP), financially and operationally. We have achieved a reasonable growth in generation and energy sales. The non-technical losses have also seen a steady decline.

The power situation in Honiara has been the best it has ever been in the last three years. The reliability in Honiara improved substantially in comparison with 2015 and 2016. There was no rotational load shedding in Honiara during the year.

During 2017, we have sustained our focus on infrastructure investments with an annual injection of $125 million.

The programme to extend the 11 kV and 415 V networks in Honiara and at the Outstations made very good progress during the year and the implementation of the Output-Based Aid programme to subsidise the electricity connection to the grid for the low income customers gathered momentum. These projects are complementary and are in line with our long-term objective to double our customer numbers and drive economic growth in Solomon Islands.

With a view to improve productivity and reliability during 2017, SP has made substantial investments in new equipment and testing facilities. We purchased cable fault locating and pinpointing equipment. A Meter Test Bench, which can simultaneously test the accuracy of ten revenue meters is on order and will be delivered and commissioned in early January 2018.

We have already installed and commissioned 600 Smart Revenue Meters in Honiara with remote connectivity to our head office at Ranadi. We are now able to remotely monitor, interrogate these meters and are also able to disconnect and re-connect the associated customers. We anticipate completing the installation and commissioning of Smart Meters for all Commercial and Industrial customers in Honiara by 30th June 2018.

SP is increasingly becoming an employer of choice, attracting new graduates and professional personnel alike and this has resulted in the recruitment of engineers and business managers to fill the vacant roles.

SP is also actively participating in the ‘Waka Mere Commitment for Action”; a programme for women’s empowerment in Solomon Islands Business and Labour Market.

During 2017, we have continued our focus on safety and training. The safety record has been exemplary with no loss-time injury during the year. We have experienced a reduction in motor vehicle accidents too.

It is also pleasing to see the mobile top-ups reach an average of 1,000 daily transactions on an average. During 2018, we will extend the facility to customers of other banks and telecommunication providers.

I wish to thank the Board for the excellent support they have provided to me and the SP Team during 2017.

Congratulations to Team SP and all our stakeholders for everything we achieved together in 2017.

Pradip Verma
Chief Executive Officer
Engineering Highlights for 2017

Overview:
Honiara City has enjoyed more reliable power supply in 2017 as compared to that in 2016. There was no scheduled load shed, whilst the outages experienced were due to feeder/generator faults or planned outages.

There was an improvement in the reliability of power supply in Honiara as noted from a reduction in the Customer Minutes Lost (CML) from 37.8 million in 2016 to 20.0 million recorded in 2017, which is an improvement by about 47%.

The network performance indicators for the year also indicated an improvement. In 2017, the System Average Interruptions Duration Index (SAIDI) and the System Average Interruptions Frequency Index (SAIFI) averaged at 155.9 and 1.77 respectively, compared to 397.3 and 3.85 in 2016.

Overhaul works on L10 Niigata generator were delayed due to the various maintenance and operational issues experienced by the new MAN Diesel generators during the year. The overhaul was eventually carried out in October 2017.

The major 8,000 hours service on all the four 2.5 MW MAN Diesel generators was carried out during the months of March and April with the assistance of the MAN Diesel technicians. At Honiara Power Station, the 6,000 hours service of H1 and H2 Caterpillar generators was also carried out. H2, however, experienced a major mechanical problem during the recommissioning. As a result of this, some of the liners and pistons had to be replaced.

Generation of power in Honiara was mainly from the four new MAN Diesel generators, which are more fuel efficient, whilst the balance of power requirement was from the old generators at Lungga and Honiara power stations. The Honiara grid was also supported by the Henderson 1.0 MW and the Ranadi 50 kW solar installations during daylight hours.

Power Generation at the Outstations was dramatically improved with the commissioning of the remaining Kohler generators at Auki, Gizo, Munda and Noro under the Outstations Generation Project.

Furthermore, after more than thirty years, SP saw the commissioning of two new Outstations; one at Seghe (150 kW) in the Western Province and the other at Taro (200 kW), in Choiseul Province. These two new Outstations are of hybrid type (solar, battery storage and diesel generator back-up), the first of its kind for SP and are currently operating with 85% renewable energy and the balance 15% on diesel operation.

On the Distribution network, particular efforts have been put towards improving the reliability of the network. Improved vegetation management saw the drastic reduction of line faults compared to previous
years. Despite a high demand for distribution work by network extension projects and other urgent repairs and with limited resources, the Distribution Team was able to provide both technical and implementation support on all the SP-funded Network Extension Projects and the World Bank-funded Output-Based Aid (OBA) Project in Honiara and at Seghe and Taro Outstations.

**Generation:**

The new MAN Diesel generators continued to experience a number of major mechanical issues, including the replacement of the main gear wheels on all four generators because of metal quality defects. Each generator had to be taken out of service for two weeks in turn to replace the gear wheels. This job had to be done twice because the first lot of replacement gear wheels fitted were later condemned by the manufacturer and had to be replaced.

As part of building their capacity, the generation mechanical and electrical staff worked in association with the MAN technicians when the above tasks were carried out.

Scheduled overhauls and major maintenance on the other generators at Lungga had to be delayed, in particular the 56,000-hours scheduled overhaul of L10 Niigata generator until October 2017.

Other activities carried out by the Generation team included monitoring of the power plants, attending to faults and breakdowns, both on the mechanical and electrical systems, and the scheduled 1,000-hours service on the generator’s. Hastings Deering was engaged to provide weekly monitoring, scheduled maintenance and they attended to faults and issues experienced on H1 and H2 Caterpillar generators at the Honiara Power Station.

**Distribution:**

The Distribution Department undertook a number of major activities in Honiara and at the Outstations. In Honiara, 11 kV and 415 V line extensions were carried out at Henderson, Lungga and 7 Up. At the Outstations, a major 11 kV line extension was carried out to connect Kilusakwalo Village outside of Auki Town in Malaita Province. A number of Low Voltage (LV) line upgrades were also carried out in Honiara, Auki, Gizo and Noro during the year.

A number of new distribution transformers were installed in Honiara and at the Outstations for new customers whilst others were upgraded to cater for increase of load by customers.

Furthermore, the Department maintained its efforts in improving the reliability of the network by continuing with the vegetation management programme in Honiara and at the Outstations.

With increased project activities that require new distribution systems or extension of the existing networks, the Distribution Department resources were stretched and suitable Contractors had to be engaged to assist in the major extensions and service line connections, in particular for the customers under the OBA project.

Other activities included the construction of minor LV extensions, new service connections, inspection and condition monitoring of the network, implementation of planned maintenance activities and attending to network faults.
Outstations:
Reliability of power generation at Auki, Gizo, Munda, Noro, and Tulagi dramatically improved with the completion of the Outstations Generation Project. The project included the installation of new Kohler generators complete with new LV Switchgear and control panels. At Auki, Gizo, Munda and Noro new transformers and Ring Main Units were also installed as part of the project.

Buala, Kirakira, Lata and Malu’u continued to generate power from generators that were installed prior to 2013, except for the hydro plant at Buala, which was re-commissioned in 2016.

Keeping the 11 kV underground cable link between Noro and Munda continued to be a challenge. The underground cable was out of service due to a fault for more than 6 weeks during the months of October and November 2017. During this period, the Munda load was reliably maintained by the new Kohler generator at the Munda powerhouse.

With the commissioning of the two new hybrid mini-grids at Seghe and Taro, SP has increased the number of its Outstations from nine (9) to eleven (11). These two were the first Outstations to be funded and built by SP since the commissioning of the Malu’u Outstation in Malaita Province more than 30 years ago.

Regulatory:
The Regulatory Department continued to carry out its role as a Regulator in the Electricity industry by ensuring that the electrical installations are in compliance with the AS/NZ 3000 Wiring Standards.

The Department also provided support to Licensed Electrical Contractors by providing regular updates on the rules and regulations and also by carrying out progressive and final inspections of wiring installations.

The Department commenced the process of acquiring a modern meter test bench, which will be capable of testing ten (10) energy meters at the same time. The equipment is being procured through Delstar New Zealand Limited, a company in New Zealand, and is manufactured by Itron in Spain. Three SP technicians visited Spain in October to witness the Factory Acceptance Test (FAT) and also were trained to operate and maintain the equipment. The test bench will be used to test all new energy meters before they are installed at the customer premises. Moreover, the existing meters will be tested to ensure that they are within the acceptable accuracy ranges. The test bench will be delivered and installed in early 2018.

The Regulatory Department also coordinated the Grade “A” Licencing Assessment for electricians with the assistance of Energy Skills Australia. A total of twenty-eight (28) candidates participated in the Assessment out of which seventeen (17) have qualified for the next stage, which is the practical assessment to be conducted in Honiara in early 2018.

A total of 1,537 installations were inspected (1,171 normal customers and 366 were OBA customers) out of which a total of 1,382 installations were energised (1,032 normal customers and 350 were OBA customers) during the year. The total number of customers that were inspected and energised was 1,382 compared with 719 energised in 2016.
**Electrical:**

The Electrical team continued to provide technical support to the Outstations Generation Project, the Solar Hybrid systems at Seghe and Taro, during their implementation and commission stages.

Major activities carried out by the department included maintenance works on all electrical auxiliaries, main alternators and other electrical equipment as part of the 8,000-hour service carried out on the MAN Diesel generators and the major overhaul of L10 Niigata generator.

Other activities were the planned preventative maintenance on all generators in Honiara and at the Outstations as well as attending to electrical faults.

The department also investigated and analysed all the system-related outages and faults to determine the root causes and establish all remedial measures to prevent recurrence. In addition to this, the Department also collated and reported on the Customer Minutes Lost (CML) during the outages.

**Renewable Energy:**

The 750 kW Fiu Hydro project in Malaita Province has not progressed during the year due to a pending land case. The funds for this project have now been diverted to a proposed Hybrid project in Auki.

Land acquisitions for the Asian Development Bank (ADB) funded 2 MW project to convert the existing diesel operated outstations at Kirakira, Lata, Malu’u, Munda and Tulagi to hybrid generation systems continued during the year. In the meantime, tender for the development of these projects was put out in the market and the contract will be awarded in the second quarter of 2018.

The SP-funded hybrid mini-grid projects at Seghe and Taro were successfully implemented and commissioned during the year. Both stations have been operating with no major issues. Taro Station is operating at approximately 85% solar and 15% diesel, whilst Seghe is operating at almost 100% solar.

Feasibility studies for the four hybrid sites, partially funded by the New Zealand Government at Hauhui, Namugha, Sasamunga and Vonunu were completed during the year. In the meantime, land acquisition for the sites have continued with Hauhui and Namugha achieving progress. Survey and valuation of the sites at Sasamunga and Vonunu will be carried out in the first quarter of 2018.

**Power System Reliability:**

SP’s System Reliability in Honiara is measured using the internationally accepted performance indicators as follows:

**The System Average Interruption Duration Index (SAIDI).**

SAIDI defines the average interruption duration per customer served per year.
SAIDI = (Sum of Customer Interruption Durations/ Total number of customers served).

For Honiara, this was measured to be 155.9 minutes, compared to 381.9 minutes in 2016. This is a decrease by 226.0 minutes over the 2016 figure, a substantial improvement.

The System Average Interruption Frequency Index (SAIFI)

SAIFI defines the average number of times a customer’s service is interrupted during a year for longer than 2 seconds. A customer interruption is defined as one interruption to a customer:

SAIFI = (Total number of customer interruptions/ Total number of customers served)

For Honiara, this was measured to be 1.8 times compared to 3.8 times in 2016, a decrease by 2.0 times, which is also an improvement.

The Customer Average Interruption Duration Index (CAIDI)

This is a measure of the average time (minutes) that a customer is without power per interruption. For Honiara, this was measured to be 90.6 minutes per interruption compared to 103.1 minutes in 2016, a decrease by 12.5 minutes, which is an improvement to the network reliability.

Reliability and Efficiency:

The bulk of power generation in Honiara was from the more fuel-efficient MAN Diesel generators (4x2.5 MW) commissioned in 2016. The balance of power generation was from the old generators at Lungga and Honiara Power stations. Improved cooling systems and timely maintenance on the old generators have also improved their outputs to up to 90% of their rated capacities. This resulted in the increase of available generation capacity to 30.8 MW, against a peak demand of 14.9 MW.

In addition, the implementation of the G-1 operation criteria, the under frequency load shedding scheme on the 11 kV Honiara feeders and the revised delayed time setting on the existing under voltage system protection on the 33 kV feeders at Honiara has prevented wider network outage due to faults in the 11 kV feeders, which contributed to the improvement in the performance and reliability of the network in Honiara.

Energy Produced:

Energy produced in 2017 is shown in the table below. Lungga and Honiara operations produced a total of 82.38 GWh (87.4%) whilst the Outstations, Solomon Tropical Products (IPP) and the Ranadi and the Henderson solar plants produced 11.90 GWh (12.6%).

<table>
<thead>
<tr>
<th>Station</th>
<th>GWh (2016)</th>
<th>GWh (2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lungga</td>
<td>76.86</td>
<td>80.73</td>
</tr>
<tr>
<td>Honiara</td>
<td>5.30</td>
<td>1.65</td>
</tr>
<tr>
<td>Outstations</td>
<td>6.75</td>
<td>9.73</td>
</tr>
<tr>
<td>Henderson Solar (1MW)</td>
<td>0.63</td>
<td>1.19</td>
</tr>
<tr>
<td>Ranadi Solar (50kW)</td>
<td>0.005</td>
<td>0.042</td>
</tr>
<tr>
<td>Solomon Tropical Products (IPP)</td>
<td>1.10</td>
<td>0.94</td>
</tr>
<tr>
<td>Total</td>
<td>90.64</td>
<td>94.28</td>
</tr>
</tbody>
</table>

Maximum Demand

The demand for electricity in Honiara in 2017 peaked at 14,934 kilowatts compared with a figure of 15,470 kilowatts in 2016, a decrease by about 536 kilowatts.
Generation Statistics
Energy Produced in 2016 and 2017 is in the histogram below.

![Energy Produced in 2016 and 2017 (kWh)](image)


Honiara Peak Demand from 2001 to 2017 is given below:
Honiara Demand Growth from year 2001 to 2017.

![Peak Demand (kW) 2001 to 2017](image)

System Performance Indicators for Honiara from 2012 to 2017 are in the histogram below.

![Annual System Performance Indicators: 2012 to 2017](image)

<table>
<thead>
<tr>
<th>Year</th>
<th>All CAIDI</th>
<th>All SAIDI</th>
<th>All SAIFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>103.3</td>
<td>619.2</td>
<td>12.9</td>
</tr>
<tr>
<td>2013</td>
<td>58.5</td>
<td>485.8</td>
<td>8.1</td>
</tr>
<tr>
<td>2014</td>
<td>80.6</td>
<td>421.8</td>
<td>7.0</td>
</tr>
<tr>
<td>2015</td>
<td>74.2</td>
<td>217.7</td>
<td>3.2</td>
</tr>
<tr>
<td>2016</td>
<td>106.31</td>
<td>397.31</td>
<td>3.85</td>
</tr>
<tr>
<td>2017</td>
<td>90.55</td>
<td>155.91</td>
<td>1.77</td>
</tr>
</tbody>
</table>
Capital Works Division

Planning:
The planning team has developed a robust process and has developed medium-term planning reports for a 5-10-year outlook for capital and maintenance spend for SP. This includes a detailed schedule of projects/activities to be completed over the next 5-10 years.

Concept design and cost estimate and schedules were completed for the proposed 66 kV line from Tina River to Lungga Power Station. The process of acquiring a 50 m corridor for line easements for this proposed 66 kV transmission line was progressed. The Due Diligence Study associated with the proposed Tina River Hydro project in Guadalcanal was completed.

Concept design and tender documentation for a major electrical upgrade of the Old Lungga Power Station was completed.

Planning and concept designs were completed for potential additional solar sites in Honiara (Lungga, Henderson, and Tanagai) and the initial assessment and identification of a suitable site at Kwainamoro in Auki for a solar farm was also completed.

The Planning team also managed the pre-bid tender design and the tender evaluation for the project to convert the existing diesel operated Outstations at Kirakira, Lata, Malu'u, Munda and Tulagi to Hybrid Generation.

To increase the footprint of electricity and consequently add new customers, the Department carried out detailed survey works and reports on six (6) potential solar hybrid locations, namely in Lambi, Namugha, Sasamunga, Santa Ana, Ulawa and Visale. A total of ten (10) potential network extension sites were also surveyed and reported. These ten sites included Abiradoa, Alligator Creek Henderson, Dundie, Henderson, Kakabona, Lio Creek, Luova, Mbaru, Ngalimera, and Papaho. A total of 3,360 potential new customers were identified from the above solar hybrid and network extension surveys.

In 2017, our young engineers attended external training and on-the-job training on planning and modelling tools, including Dig-Silent and Homer Software. These tools are now actively being used for hybrid, mini-grid distribution and generation system design.

In 2018, the focus will be on network expansions and the development of young engineers in the application of modelling and planning tools/software.

Capital Works

During 2017, there were 19 active capital infrastructure projects to the value of $556 million. Of these, the following were completed and commissioned during the year.

- The extension of the mezzanine floor at the Ranadi HQ location.
- Construction and commissioning of two new outstations at Seghe in The Western Province and at Taro in Choiseul Province. These two projects involved construction of distribution networks and installation of Solar Hybrid Power Generation Plants.
- The replacement of diesel engines and switch gear at Gizo, Munda and Noro.
- The construction of the new Power Station at Gizo.
• The replacement of diesel engines and switch gear at Auki and Tulagi.
• The construction and energisation of 11 kV and 415 V network extensions at 11 locations (10 in Honiara and one in Auki).
• Relocation of SP assets around Mataniko Bridge and the Honiara City Council Roundabout to facilitate the Kukum Highway upgrade project.

Key projects which started during 2015 and were progressed during 2017 include:
• The development of the smart meter project; the meter deployment phase has seen 600 smart meters being installed as at December 2017.
• The development of the Tina River Hydro.

Project including the associated Transmission Line; Projects that commenced during 2015 and will continue during 2018 include:
• Relocation of feeder 12 at Henderson;
• The redevelopment of the Ranadi Substation,
• The development of the Kola’a Ridge Substation.

Projects that commenced during 2016 and will continue in 2018 include:
• The development of the East Honiara Substation site as an industrial park;
• The installation of a second transformer at Lungga;
• The Honiara Power Station Redevelopment;
• The development of 5 Hybrid replacement generation systems for the existing Outstations at Kirakira, Lata, Malu’u, Munda and Tulagi,
• The development of 11 kV and 415 V network extensions.

SP has continued to develop its Project Management Office during 2017. The development of staff is particularly important with the young project engineers undertaking projects. SP Construction Supervisor Training and Diploma of Project Management training were also completed. New team structure has also been implemented to ensure we have resources to deliver several projects over $550 million within the next two years.

In 2018, the focus will be on the Job Training with the assistance of contractors and expats and further developing the project engineers in the various aspects of Project Management. This will ensure SP has the resources at its disposal to undertake the projects required to build the capital electricity infrastructure for the Solomon Islands.
Customer Services Division

With 51 permanent staff, the Customer Services Division is responsible for all customer issues, from community awareness through its Public Relations Section, to receiving, processing and registration of customer applications for new customer connections, customer enquiries, cashiering, administering billing and customer accounts, protection of revenue meters and revenue collection; all contributing to SP’s path to reform, which is to make electricity affordable and accessible to Solomon Islanders, which is in line with the national objective to energise our nation by year 2050.

By the end of 2017, SP had registered a total of 17,190 customers as connected to its Honiara and Outstation's network. 14,817 (87%) customers are on prepay who use Cashpower meter and 2,373 (14%) are on post-pay using the normal kilowatt meter. This is compared to 15,966 registered in January 2017.

With Honiara as the capital city situated on the island of Guadalcanal, 9 Outstations existed on the other island provinces outside of Guadalcanal, namely Gizo, Noro and Auki being the bigger outstations, with the smaller stations being Munda, Buala, Malu’u, Tulagi, Kirakira and Lata. Two new outstations, one each at Seghe and Taro, were commissioned and added on to the network in mid-2017 thereby increasing the total number of locations to 12. The table below shows the total Kilowatt and Cashpower customers by their locations.

<table>
<thead>
<tr>
<th>Location</th>
<th>Kilowatt</th>
<th>Cashpower</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honiara</td>
<td>1,686</td>
<td>11,356</td>
<td>13,042</td>
</tr>
<tr>
<td>Auki</td>
<td>212</td>
<td>782</td>
<td>994</td>
</tr>
<tr>
<td>Gizo</td>
<td>135</td>
<td>684</td>
<td>819</td>
</tr>
<tr>
<td>Noro</td>
<td>92</td>
<td>434</td>
<td>526</td>
</tr>
<tr>
<td>Munda</td>
<td>49</td>
<td>330</td>
<td>379</td>
</tr>
<tr>
<td>Tulagi</td>
<td>41</td>
<td>224</td>
<td>265</td>
</tr>
<tr>
<td>Kirakira</td>
<td>39</td>
<td>231</td>
<td>270</td>
</tr>
<tr>
<td>Buala</td>
<td>42</td>
<td>204</td>
<td>246</td>
</tr>
<tr>
<td>Lata</td>
<td>37</td>
<td>200</td>
<td>237</td>
</tr>
<tr>
<td>Taro</td>
<td>12</td>
<td>162</td>
<td>174</td>
</tr>
<tr>
<td>Malu’u</td>
<td>26</td>
<td>129</td>
<td>155</td>
</tr>
<tr>
<td>Seghe</td>
<td>2</td>
<td>81</td>
<td>83</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,373</td>
<td>14,817</td>
<td>17,190</td>
</tr>
</tbody>
</table>

Kilowatt customers are registered on the postpay billing system called USP or Utility Star Platinum, a system put in place in June 2014. Cashpower customers, however, are registered on the prepay system called Suprima Version 3, a system in place since year 2000, which was at the end of its life. Due to the increasing number of Cashpower customers, the Suprima system underwent a major upgrade in November 2017 and it is now successfully operating on Version 5.

Under The Regulation 2016, customers are categorised into two types; Regular and Non-Regular, which further divides customers as Domestic, Commercial and Industrial customers. In addition, the tariff has 12 tiers for Regular Customers (4 for Domestic, 5 for Commercial and 3 for Industrial) based on monthly consumption range. Under this new Regulation, customers are charged a Network Access Charge (fixed monthly fee based on customer category and monthly consumption), Non-Fuel Variable Charge, Demand Charge (fixed monthly charge that only applies to Non-Regular Customers) and Fuel Charge. The implementation of this new tariff regulation has resulted in the reduction of the electricity tariff in comparison with 2016 and, for the first time for certain categories, it was below $5.00 per kWh. SP is pleased with this reduced tariff, which will mean increased economic growth and help to build our Nation. The Electricity Tariff (Base Tariff and Tariff Adjustments) Regulations 2016 is available on our website www.solomonpower.com.sb. It is also pleasing to note that both the billing systems have successfully integrated this major change.

During 2017, SP has continued with its programme to extend the electricity network in Honiara and at the Outstations. Network extension plans go hand-in-hand with community awareness, customer applications and customer connectivity. Apart from the normal SP connections and the 19 approved sites for network extensions, the World Bank assistance through the Output-Based Aid (OBA) Programme had further progressed new connection undertakings in 2017, resulting in the increase in customer numbers. The increase from 5 amperes to 10 amperes consumption in 2017 had also resulted in an increase in monthly sales on Cashpower. The OBA programme connects electricity to lower income households up to 10 amperes per household, with two lights, one powerpoint, house wiring, one power pole, 80 metres of service line and one Cashpower meter fully subsidised. Installation cost is $200.00.

By the end of 2017, 375 households were connected under the OBA programme. This programme is scheduled to end on 30th June 2018. However, we have initiated discussions with the World Bank to extend this programme to March 2020.

In terms of internal training, the division is pleased to have all relevant staff trained on the calculation and application of the new Electricity Tariff (Base Tariff and Tariff Adjustments) Regulation before implementation. Relevant staff also underwent internal training on the upgraded version of the Cashpower Suprima system and have all mastered the new version well. New officers in our new two Outstations in Seghe and Taro also underwent thorough on-the-job training on the customer processes and procedures.

In October, five technicians from the Metering Section attended a Metering Training Course held at the Energex Training complex in Brisbane, Australia.
One staff member is on full-time degree studies at the University of the South Pacific in Fiji while another is completing diploma studies at the Solomon Islands National University. Apart from training, the division’s policies and processes are continually developed and updated, to ensure that our quality commitments to our valued customers are met.

To ensure the accuracy of meters and a reduction of non-technical losses, all commercial and industrial installations with current transformer (CT) meters were upgraded in 2017. Deployment of Smart meters (EDMI meters) continued over 2017 in Honiara with 600 such meters already installed and commissioned at year end. This project is currently confined to Honiara and will continue in 2018.

The weekly Saturday morning one-hour radio programme featured the OBA programme and the connection process and requirements with talk-back shows in 2017. This has resulted in increased applications for new connections.

The Cashpower Drive-Through and Walk-Through windows, extended Cashier opening hours to 8.30pm Mondays to Fridays and the 24 hour Cashpower mobile top-up service are still going very well and have been very helpful in reducing customer queues at the counters, especially with the growing number of Cashpower customers. With all these, SP expects another successful Customer Survey in 2018 where marked improvements in customer service are anticipated.
Finance Division

The fiscal position of Solomon Power continues to be strong despite the decrease in Revenue as a result of the 12% reduction in customer tariff. The strong position is due to good financial management and good governance. During the year:

- SP declared and paid a dividend of $4.0m.
- Net Profits have dropped to $79.8m.
- Return on equity and return on assets has been 7.7% and 7.1% respectively.
- Generation costs per kWh is less than $2 (less than US $0.25 per kWh).
- Fuel costs, being 38.5% of our costs, have dropped in comparison with 2016.
- Monthly kWh sales reached their highest ever.
- Capital Infrastructure is being funded using retained earnings (Taro & Seghe Outstations, Outstations Generations Upgrade, network extensions, etc.).
- SP has now commenced its World Bank IDA Loan Repayments to SIG.

Embracing new business applications to streamline our manual processes or upgrading our software are ongoing. During the year, we:

- Have commenced with automating our timesheets;
- Have started using our newly developed Analytics Software for the analysis of our data.
- Upgraded Cashpower Software to Suprima 5.

Information, Communications and Technology

The Information, Communications and Technology (ICT) department of Finance took substantial strides to protect SP information, connect key sites and modernise existing hardware and software.

To protect information SP replaced firewalls with Cisco Meraki 64 Firewall. The ICT department has also installed stacked Cisco Layer 3 switches to route and switch data traffic between the segmented networks SP currently has via Fibre and VSAT, thereby permitting firewall to serve its primary function as the gateway to other networks over the internet. The ICT department has achieved a more manageable network that is reliable and visible to counter possible threats and to meet growing internetworks. The ICT Department also replaced traditional Antivirus Symantec software with Webroot, which has a history of robustness and has proven to be effective in real time.

Communications to installations at the Outstations remains a challenge due to the available technology at each location, however Our Telekom through SIG-ICTSU have signed an agreement with SP to connect all SIG-ICTSU and SP network onto a single hop link from each site directly into Honiara. SP has successfully connected Buala, Gizo and Noro to Telekom’s one hop satellite link as the primary link and VSATs as a redundant link. This connectivity has shown tremendous improvement and hence better connectivity for the three Outstations. This will enable real time data in IBMS and Cashpower applications from each of SP Outstations.

Seghe and Taro Solar Hybrid SCADA systems were connected onto the network thereby providing remote accessibility from Ranadi. An IT Strategy for the next three to five years has been established and is currently being implemented.
Corporate Services Division

The Corporate Services Division provides enabling services to other divisions in SP through its human resources and administration; training and development; health, safety, security and compliance; business performance, fleet management; and land and buildings teams.

Human Resources

At the end of 2017, SP had 237 permanent employees, compared to 239 at the end of 2016, a slight reduction by 1% in permanent employee numbers. This was complimented by 12 graduate trainees with engineering, finance, economics, management and IT backgrounds.

![Number of Permanent Employees](image)

**Figure 1: Employee numbers.**

**Employees by location**

144 employees, the majority of the workforce, were based at the SP Head Office in Ranadi where the Executive Office, Finance, Corporate Services, Customer Services, Planning, Capital Works; and Distribution and Transmission teams are located. The Lungga site had the second highest number of employees at 38.

![Number of Permanent Employees](image)

**Figure 2: Number of employees by location.**
Highlights in 2017 included:

• Review of key policies, including that for performance management and training and development; and the introduction of the new SP Apprenticeship Programme framework;

• Recruitment for several key roles, including that for a Mechanical Engineer, one Senior HR Business Partner and one Business Performance Manager;

• Internal promotions, including that for the Internal Audit and Finance managerial roles,

• Broadening of the Graduate Trainee Programme with the engagement of three Graduate Engineers and one for ICT.

Training and Development

Considered a strategic organisational objective, relevant activities, initiatives, planning and resourcing were geared towards workforce development. Programmes included a blend of full time studies, classroom and practical training, attendance at workshops, seminars and conferences.

In 2017, three employees were on Solomon Islands Government scholarships; one employee was on a full SP scholarship to complete her studies at SINU; four employees attended full-time studies in APTC Papua New Guinea and Fiji respectively, also fully funded by SP, with two graduating with Certificate III in electro-technology and two in Certificate III in engineering in diesel fitting. In 2017, one employee graduated from USP with a Bachelors of Arts degree in accounting.

SP provided a fully funded TAFE diploma in civil construction supervision in-house programme for 6 employees; one employee graduated with a Certificate IV in leadership and management also with TAFE and 10 employees completed another internally run programme also with TAFE towards a diploma in project management.

Lineman training continued in 2017 and 12 Linemen graduated with a Certificate in Electric Power Lineman. four employees attended a 3-week cable jointing programme with Energex in Brisbane Australia, with another 8 undergoing a 1-week metering programme also at Energex in November 2017.

Various development programmes held abroad for finance, for nonfinance managers, auditing for project management, renewable energy and power systems were attended by managers and engineers respectively.

To further enhance the drive for workforce development, SP continued with its Graduate Development Programme with 12 Graduates attached to various units and with SP providing workplace attachment opportunities for 27 students from Don Bosco, SINU and USP.

Occupational Health & Safety

SP commits to the safe supply of electricity to the Nation with its effective and robust OHS management framework, aimed at providing a safe environment for employees and customers and the community at large. Highlights in 2017 included:

• Nil (0) Lost Time due to Injury (LTI) was recorded in 2017 where the Lost Time Injury Frequency Trained Linemen (LTIF) rate for 2017 closed at 0;
• Safety awareness programs for employees and electrical safety awareness programs in communities;
• Continuation of First Aid Training and provision of First Aid Kits and Basic Fire Fighting training and equipment, including those supplied to staff houses;
• Continuation of Electric Power Lineman Training;
• Implementation of site safety inspection process for contractors;
• Monthly fire protection inspection of Power Houses and SP vehicles with the Safety Officer accredited to carry out fire protection inspection at Outstations’ Power Houses.

**Solomon Power Fleet of Vehicles**

SP with 91 vehicles continued with relevant policy implementation, monitoring and training like “Hands on Wheel”, a defensive driving programme which was held again in 2017 with continued focus on safety, behaviour and professionalism.

**Land & Buildings**

**Land**

SP continued with its programme of land acquisitions and proper registration of its properties.

**Buildings**

Apart from our commercial properties in Honiara, Ranadi, Lungga and the Outstations, SP provided housing for employees. 107 staff houses were managed in 2017 with continued efforts in repairs and maintenance. The Staff Housing Policy was reviewed and rolled out to residents.

**Business Performance**

SP’s Business Performance Unit is responsible for ensuring that SP complies with legislation relating to the operation of the organisation. These pieces of legislation included the Electricity Act (Cap 128), the State-Owned Enterprises Act 2007, the Labour Act, the Employment Act, the Safety At Work Act and other relevant pieces of legislation.

**Bypass Customers**

SP continued with its effort to recover monies owed to SP by “bypass” and defaulting customers. The efforts were challenging yet resulted in prosecuting “Bypass” customers and recovery from defaulting customers with a number of good outcomes in 2017.

**Workmen Compensation**

One case of Workmen Compensation was reported to the Department of Labour.

**Trade Dispute Panel**

There were no new cases in 2017.

**Outstanding claims**

Several legal cases over parcels of land were still pending with 9 new sites progressed through to registration.
Corporate Governance Practices

Role of the Board

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

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

Composition of the Board as at 31st December 2017

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Appointment</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr David K.C. Quan</td>
<td>Chairman</td>
<td>February 2016</td>
<td>3 years</td>
</tr>
<tr>
<td>Mr Henry Kapu</td>
<td>Director</td>
<td>June 2012</td>
<td>3 years</td>
</tr>
<tr>
<td>Mr Harry Zoleveke</td>
<td>Director</td>
<td>June 2012</td>
<td>3 years</td>
</tr>
<tr>
<td>Mr Sebastian Ilala</td>
<td>Director</td>
<td>June 2012</td>
<td>3 years</td>
</tr>
<tr>
<td>Ms Yolande Yates</td>
<td>Director</td>
<td>September 2014</td>
<td>2 years</td>
</tr>
<tr>
<td>Mr Rovaly Sike</td>
<td>Director</td>
<td>September 2014</td>
<td>2 years</td>
</tr>
<tr>
<td>Mr John Bosco Houanihau</td>
<td>Director</td>
<td>September 2014</td>
<td>3 years</td>
</tr>
</tbody>
</table>

Directors’ Duties

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

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

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

Statutory Duties of the Board

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

- When exercising powers or performing duties, Directors must act in good faith and in what the Director believes to the best interests of the State-Owned Enterprise.
- A Director of a State-Owned Enterprise, when exercising a power as Director, must exercise that power for a proper purpose.
• A Director of a SOE must not:
  
  a. Agree to the business of the SOE being carried out on or in a manner likely to create a substantial risk of serious loss to the SOE creditors or, and
  
  b. Cause or allow the business of a SOE to be carried out on or in a manner likely to create substantial risk of loss to the SOE creditors.

• A Director must not agree to the SOE incurring an obligation unless the Director believes at the time, on reasonable grounds, that the SOE will be able to perform the obligation when it is required to do so.

• A Director of a SOE, when exercising powers or performing duties, must exercise the care, diligence, and skills that a reasonable Director would exercise in the same circumstances.

• Another controlling measure imposed on Directors is the requirement to enter any conflict of interest in an interests register.

Fiduciary Duties of Directors

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

• To act in good faith in the best interest of the company,

• To exercise powers for a proper purpose,

• To retain discretion,

• To avoid conflicts of interest.

Board Meetings

The Board held 12 meetings during the financial year, which ended 31st December 2017. Of these, five were scheduled meetings and the rest extra-ordinary meetings. The regular business of the Board covers corporate governance, financial performance and risk management, business investment and strategic matters.

Board Committees

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

Board Secretary

Mrs Natalie Kairi

Audit & Finance Sub-Committee

Membership:

1. Henry Kapu – Chairman
2. David K.C. Quan – Member
3. Sebastian Ilala – Member
4. Yolande Yates – Member

Number of meetings: 4

HR Sub-Committee

Membership:

1. John Bosco Houanihau – Chairman
2. David K.C. Quan – Member
3. Yolande Yates – Member

Number of meetings: 4

Technical Sub-Committee

Membership:

1. Rovaly Sike – Chairman
2. David K.C. Quan – Member
3. Henry Kapu – Member
4. Harry Zoleveke – Member

Number of meetings: 4
Solomon Islands Electricity Authority
trading as Solomon Power

Financial Statements
for the year ended 31 December 2017

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Statement of Changes in Equity 34
Statement of Cash Flows 35
Notes to the Financial Statements 36-53
Glossary 57
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), trading as Solomon Power, as at 31 December 2017 and the related statement of 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 - chairman (appointed 19 February 2016)
- Harry Zoleveke - (appointed June 2012)
- Henry Kapu - (appointed June 2012)
- John B Houanihau - (appointed September 2014)
- Rovaly Sike - (appointed September 2014)
- Sebastian Ilala - (appointed June 2012)
- Yolande Yates - (appointed September 2014)

**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 2017, 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 and distribution of electricity to the Solomon Islands.

**Results**

The comprehensive income for the year was SBD 79,880,086 (2016: SBD 205,463,841).

**Dividends**

The Directors have declared but not yet paid a dividend of SBD 4,000,000 for the year (2016: SBD 4,400,400).

**Significant events**

There has not arisen in the interval between the end of the year and the date of this report any other item, transaction or event of a material and unusual nature that is likely, in the opinion of the Directors, to significantly affect the operations of SIEA, the results of those operations or the state of affairs of SIEA in subsequent financial years.

Dated at [insert date] this 26th day of March 2018.

Signed in accordance with a resolution of the Directors.
Independent Auditor’s Report

To the Board of the Solomon Islands Electricity Authority

Report on the Audit of the Financial Statements

Opinion
I have in joint consultation with the Board of the Authority pursuant to the Electricity Act [Cap.128] contracted Ernst & Young Fiji which is part of the EY International network to assist me to audit the accompanying financial statements of the Solomon Islands Electricity Authority, which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive and other income, statement of changes in equity and statement of cash flow for the year then ended, and Notes 1 to 23 comprising of a summary of significant accounting policies and information.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for Opinion
I conducted the audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Entity in accordance with the International Ethics Standard Board for Accountant’s code of Ethics for Professional Accountant (IESBA code) together with 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.

Responsibilities of Management and Directors for the Financial Statement
Management and Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRS and the State Owned Enterprise Act 2007, and for such internal control as the management and Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and Directors are 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 and Directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

The management and Directors 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 auditor’s report that includes my opinion.
Independent Auditor’s Report (Continued)

Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of the financial statements.

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

• Identify and access 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 policy used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of the management’s and Directors’ 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 going concern. If I conclude that material uncertainty exist, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor’s report.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statement represent the underline transactions and events in a manner that achieves fair presentation.

I communicate with the management and Directors 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 identified during my audit. I also provide management and Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguard.

Peter Lokay
Auditor-General
27 March 2018

Office of the Auditor-General
Honiara, Solomon Islands
## Statement of Comprehensive Income

For the year ended 31st December 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity sales</td>
<td>428,039,827</td>
<td>437,528,391</td>
</tr>
<tr>
<td>Grant income</td>
<td>10,393,400</td>
<td>6,436,883</td>
</tr>
<tr>
<td>Other operating income</td>
<td>2,543,325</td>
<td>6,437,901</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td><strong>440,978,551</strong></td>
<td><strong>450,403,175</strong></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation and distribution</td>
<td>207,601,960</td>
<td>187,348,883</td>
</tr>
<tr>
<td>Administration</td>
<td>59,683,883</td>
<td>61,343,934</td>
</tr>
<tr>
<td>Operating</td>
<td>31,148,030</td>
<td>30,807,434</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>51,447,685</td>
<td>46,006,826</td>
</tr>
<tr>
<td>Allowance for uncollectability</td>
<td>11,396,373</td>
<td>(861,604)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>389,387</td>
<td>-</td>
</tr>
<tr>
<td>Inventory &amp; asset write-off</td>
<td>(145,261)</td>
<td>1,134,219</td>
</tr>
<tr>
<td>Revaluation decrement - property, plant &amp; equipment</td>
<td>-</td>
<td>158,334</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>361,522,057</strong></td>
<td><strong>325,938,025</strong></td>
</tr>
<tr>
<td><strong>Gain from operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange gain / (loss)</td>
<td>423,591</td>
<td>(4,416,280)</td>
</tr>
<tr>
<td><strong>Net profit for the year</strong></td>
<td><strong>79,880,086</strong></td>
<td><strong>120,048,870</strong></td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluation increment - property, plant &amp; equipment</td>
<td>-</td>
<td>85,414,971</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td><strong>79,880,086</strong></td>
<td><strong>205,463,841</strong></td>
</tr>
</tbody>
</table>

The notes disclosed on pages 36 to 53 are an integral part of the financial statements.
## Statement of Financial Position

**As of 31st December 2017**

### Note 2017  2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Assets</th>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash and cash equivalents</td>
<td>12</td>
<td>221,808,007</td>
</tr>
<tr>
<td></td>
<td>Held to maturity investment</td>
<td></td>
<td>45,342,195</td>
</tr>
<tr>
<td></td>
<td>Inventories</td>
<td>13</td>
<td>20,910,019</td>
</tr>
<tr>
<td></td>
<td>Receivables</td>
<td>14</td>
<td>50,142,206</td>
</tr>
<tr>
<td></td>
<td>Prepayments</td>
<td></td>
<td>3,042,350</td>
</tr>
<tr>
<td></td>
<td><strong>Total current assets</strong></td>
<td></td>
<td><strong>341,444,777</strong></td>
</tr>
<tr>
<td></td>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Property, plant and equipment</td>
<td>11</td>
<td>795,429,205</td>
</tr>
<tr>
<td></td>
<td>Receivables</td>
<td>14</td>
<td>1,660,609</td>
</tr>
<tr>
<td></td>
<td><strong>Total Non-current assets</strong></td>
<td></td>
<td><strong>797,089,814</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total assets</strong></td>
<td></td>
<td><strong>1,138,534,591</strong></td>
</tr>
</tbody>
</table>

| Liabilities |          |          |
| Current liabilities | | | |
| Deferred income | 16 | 6,392,961 | 6,392,961 |
| Trade and other payables | 17 | 34,932,083 | 46,136,620 |
| Employee benefits |  | 193,818 | 391,109 |
| **Total current liabilities** | | | **41,518,861** | **52,920,690** |
| Non-current liabilities | | | |
| Deferred income | 16 | 50,801,158 | 55,422,959 |
| **Total Non-current liabilities** | | | **50,801,158** | **55,422,959** |
| **Total liabilities** | | | **92,320,019** | **108,343,649** |

| Equity |          |          |
| Contributed capital | 15 | 246,933,170 | 246,933,170 |
| Asset revaluation reserve |  | 384,889,703 | 384,889,703 |
| Accumulated profit |  | 414,391,698 | 338,511,612 |
| **Total equity** | | | **1,046,214,572** | **970,334,486** |
| **Total equity and liabilities** | | | **1,138,534,591** | **1,078,678,135** |

Signed for and on behalf of the Board of Directors.

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*The notes disclosed on pages 36 to 53 are an integral part of the financial statements.*
## Statement of Changes in Equity

For the year ended 31st December 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>Contributed capital</th>
<th>Asset revaluation</th>
<th>Accumulated retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SBD</td>
<td>SBD</td>
<td>SBD</td>
<td>SBD</td>
</tr>
<tr>
<td>Balance at 1 January 2016</td>
<td>246,933,170</td>
<td>299,474,732</td>
<td>222,863,143</td>
<td>769,271,045</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>-</td>
<td>-</td>
<td>120,048,870</td>
<td>120,048,870</td>
</tr>
<tr>
<td>Revaluation of property, plant and equipment</td>
<td>11</td>
<td>-</td>
<td>85,414,971</td>
<td>-</td>
</tr>
<tr>
<td>Transaction with owners of SIEA directly recognised in equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend declared during the year</td>
<td>-</td>
<td>-</td>
<td>(4,400,400)</td>
<td>(4,400,400)</td>
</tr>
<tr>
<td>Balance at 31 December 2016</td>
<td>246,933,170</td>
<td>384,889,703</td>
<td>338,511,612</td>
<td>970,334,486</td>
</tr>
<tr>
<td>Balance at 1 January 2017</td>
<td>246,933,170</td>
<td>384,889,703</td>
<td>338,511,612</td>
<td>970,334,486</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>-</td>
<td>-</td>
<td>79,880,086</td>
<td>79,880,086</td>
</tr>
<tr>
<td>Transaction with owners of SIEA directly recognised in equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend declared during the year</td>
<td>-</td>
<td>-</td>
<td>(4,000,000)</td>
<td>(4,000,000)</td>
</tr>
<tr>
<td>Balance at 31 December 2017</td>
<td>246,933,170</td>
<td>384,889,703</td>
<td>414,391,698</td>
<td>1,046,214,572</td>
</tr>
</tbody>
</table>

The notes disclosed on pages 36 to 53 are an integral part of the financial statements.
Statement of Cash Flows
For the year ended 31st December 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts from customers</td>
<td>420,124,487</td>
<td>440,076,358</td>
</tr>
<tr>
<td>Cash payments to suppliers and employees</td>
<td>(319,714,724)</td>
<td>(275,135,484)</td>
</tr>
<tr>
<td>Total operating income</td>
<td>100,409,763</td>
<td>164,940,874</td>
</tr>
<tr>
<td>Investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Withdrawal/(payment) for held to maturity investments</td>
<td>47,305,214</td>
<td>(25,406,671)</td>
</tr>
<tr>
<td>Net payments for property, plant and equipment</td>
<td>(132,866,048)</td>
<td>(124,972,680)</td>
</tr>
<tr>
<td>Net cash used in Investing Activities</td>
<td>(85,560,834)</td>
<td>(150,379,351)</td>
</tr>
<tr>
<td>Financing Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts from donor grants</td>
<td>5,771,599</td>
<td>35,789,560</td>
</tr>
<tr>
<td>Net cash provided by Financing Activities</td>
<td>5,771,599</td>
<td>35,789,560</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>20,620,528</td>
<td>50,351,082</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>201,187,479</td>
<td>150,836,397</td>
</tr>
<tr>
<td>Cash and cash equivalents at 31 December</td>
<td>221,808,007</td>
<td>201,187,479</td>
</tr>
</tbody>
</table>

The notes disclosed on pages 36 to 53 are an integral part of the financial statements.
Notes to the Financial Statements  
For the year ended 31st December 2017

1 Reporting entity
Solomon Islands Electricity Authority (SIEA) 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, East Honiara, Solomon Islands. There are no subsidiary companies.

2 Nature of operations
The principal activity of SIEA is the generation and distribution of electricity to the Solomon Islands. SIEA is the owner and operator of the Solomon Islands’ Government 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) and other applicable Financial Reporting Standards.

a) Presentation of currency
The financial statements are presented in Solomon Island Dollars (“SBD”), which is SIEA’s functional and presentation currency. All financial information is presented in Solomon Island 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 except as modified for certain investments, held for sale assets, investment property, financial assets and financial liabilities as identified in specific accounting policies below.

5 Specific accounting policies
a) Basis of consolidation
There are no subsidiaries in existence, or proposed, so no consolidation is required.

b) Goodwill
SIEA does not recognise any goodwill.

c) Revenue
SIEA recognises revenue as it provides services or delivers products to customers and the consideration becomes recoverable. Revenue is measured at the fair value of the consideration received or receivable.
5 Specific accounting policies continued

d) Financial instruments

i. Non-derivative financial assets

SIEA initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that SIEA becomes a party to the contractual provisions of the instruments.

SIEA derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by SIEA is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, SIEA has a legal right to offset the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

SIEA classifies non-derivative financial assets into loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank balance.

Accounts receivables

Accounts receivable are recorded initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for doubtful debts.

Subsequently, appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

Other financial assets at fair value through statement of comprehensive income

SIEA has no other financial assets such as derivatives or hedging instruments. These may be developed in the future to provide better management of electricity price fluctuations. If they are used in the future, the realised and unrealised gains and losses arising from changes in the fair values will be included in the statement of comprehensive income in the period in which they arise.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated as available for sale by management or not designated in any of the other categories.

These investments are carried at fair value with any unrealised gains and losses arising from changes in fair value recognised directly in equity. On sale or on impairment, the accumulated fair value adjustments are included in the statement of comprehensive income.
5  Specific accounting policies continued

d)  Financial instruments continued

ii.  Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date, which is the date that SIEA becomes a party to the contractual provisions of the instrument. SIEA derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, SIEA has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

SIEA classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise provisions, trade and other payables.

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid.

Provisions are liabilities of uncertain timing or amount. They are measured at the amounts expected to be paid when the liabilities are settled.

iii.  Contributed capital

Contributed capital represents funds contributed by the Government to establish SIEA as a statutory enterprise and any other subsequent contributions by Government.

e)  Impairment

i.  Non-derivative financial assets

A financial asset not carried at fair value through statement of comprehensive income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to SIEA on terms that SIEA will not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers, economic conditions that correlate with defaults or the disappearance of an active market for a security.
5 Specific accounting policies continued

e) Impairment continued

   ii. Loans and receivables

   SIEA considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

   In assessing collective impairment SIEA uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic conditions and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

   An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in statement of comprehensive income and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease is reversed through statement of comprehensive income.

   iii. Non-financial assets

   The carrying amounts of SIEA’s non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

   The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

   An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in statement of comprehensive income.

f) Inventories

   Stocks of materials are 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.

   g) Investments

   SIEA has “held to maturity” investments that are measured initially at cost. These investments are held to provide security for Letter of Credit given to suppliers for various capital project being constructed for SIEA. The length of time to maturity is matched to the key milestones of these capital projects and are usually less than a year. A nominal interest rate of 0.1% per annum is earned on these investments.
5 Specific accounting policies continued

h) 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 revaluation reserve is transferred to retained earnings.

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 the statement of comprehensive income as incurred.

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 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 - 50 or 75 years as per the lease agreements
- Buildings - Operational including power stations - 20 to 30 years (5% to 3.3% depreciation p.a.)
- Buildings - Non-operational - 15 to 50 years (6.7% to 2% depreciation p.a.)
- Generators - 10 to 40 years (10% to 2.5% depreciation p.a.)
- Plant & equipment - 10 to 25 years (10% to 4% depreciation p.a.)
- Distribution network - 20 to 60 years (5% to 1.7% depreciation p.a.)
- Furniture & equipment - 5 years (20% depreciation p.a.)
- Furniture & equipment - Information technology - 3 to 5 years (33.3% 20% depreciation p.a.)
- Motor vehicles - 5 years (20% depreciation p.a.)
- Tools - 3 to 5 years (33% to 20% depreciation p.a.)

The useful lives and residual values of assets may vary from this standard and are reviewed annually.
Specific accounting policies continued

h) Property, plant and equipment continued

iii. Revaluation of property, plant and equipment

Land, property, plant and buildings are shown at fair value, based on periodic, 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 were the direct comparison and income capitalisation approaches crossed check 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.

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 statement of comprehensive income, in which case the increase is credited to the statement of comprehensive income 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 buildings is charged to statement of comprehensive income. 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 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 the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.
5 Specific accounting policies continued

h) Property, plant and equipment continued

iv) Impairment of assets continued

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 the statement of comprehensive income 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.

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.

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.

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.

i) 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.

j) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition and is expected to be completed within one year from the date of classification.
5 Specific accounting policies continued

k) 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.

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.

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 services provided by employees up to reporting date.

Contributions to defined contribution plans are expensed when incurred.

SIEA deducts and pays 5 per cent of the employee’s gross salaries and contributes 7.5 per cent of employee’s gross salaries to the Solomon Islands National Provident Fund. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in statement of comprehensive income in the periods during which services are rendered by employees.

l) Taxation

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

m) Foreign currency transactions

Transactions denominated in a foreign currency that are not hedged are converted at the Solomon Islands exchange rate at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates current at balance 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.

Certain purchase commitments denominated in a foreign currency are hedged against foreign currency risk and designated as hedge items in fair value hedges under IAS 39. The cumulative change in the fair value of the purchase commitments attributable to the hedged foreign currency risk is recorded as an asset or liability using forward rate based measurement with the corresponding gains or losses recognised in the statement of comprehensive income. The gains or losses in the associated derivative are also recognised in the statement of comprehensive income.

n) 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.

o) Grants

An unconditional grant related to an asset is recognised in statement of comprehensive income 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 statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognised.

p) Dividends

Beginning in 2017 SIEA adopted a hybrid dividend policy to determine the amount of the dividend payable to Solomon Islands government each year. It was agreed that dividends will be calculated at a standard rate of 5% per annum on the net profit from operations up to SBD 100 million per annum and at a rate of 10% per annum on any net profit from operations in excess of this amount.
6 Specific accounting policies continued

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 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.

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.

SIEA establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified, and a collective component in respect of estimated losses incurred but not yet identified.

SIEA’s maximum exposure to credit risk is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank</td>
<td>221,765,007</td>
<td>201,144,479</td>
</tr>
<tr>
<td>Receivables - current</td>
<td>36,294,916</td>
<td>37,330,659</td>
</tr>
<tr>
<td></td>
<td>1,660,609</td>
<td>3,234,185</td>
</tr>
<tr>
<td></td>
<td><strong>259,720,532</strong></td>
<td><strong>241,709,323</strong></td>
</tr>
<tr>
<td>Receivables are determined impaired as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trade and other receivables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross receivables</td>
<td>70,234,051</td>
<td>69,907,659</td>
</tr>
<tr>
<td>Provision for impairment</td>
<td>(32,278,526)</td>
<td>(29,342,815)</td>
</tr>
<tr>
<td></td>
<td><strong>37,955,525</strong></td>
<td><strong>40,564,844</strong></td>
</tr>
</tbody>
</table>
6 Specific accounting policies 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.

Typically 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:

<table>
<thead>
<tr>
<th>31 December 2017</th>
<th>Carrying amount SBD</th>
<th>6 months or less SBD</th>
<th>6-12 months SBD</th>
<th>Greater than 1 year SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>34,932,083</td>
<td>34,932,083</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>193,818</td>
<td>193,818</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>35,125,900</td>
<td>35,125,900</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31 December 2016</th>
<th>Carrying amount SBD</th>
<th>6 months or less SBD</th>
<th>6-12 months SBD</th>
<th>Greater than 1 year SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>46,136,620</td>
<td>46,136,620</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>391,109</td>
<td>391,109</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>46,527,729</td>
<td>46,527,729</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
6 Specific accounting policies continued

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.

SIEA is subject to a quarterly tariff review. The tariff is based upon the 2005 Tariff Price Regulation which is adjusted for the Honiara Consumer Price Index and fuel price movements. Fuel at $137,645,000 ($129,691,000 in 2016) comprises about 38% of the expenditure of SIEA, so movements in fuel prices are critical to the profitability of SIEA. Fortunately, the quarterly tariff review considers the fuel price movements, therefore there is a natural hedge against fuel price movements. Taking 2017 as the base, the following percentage movements in fuel prices will have the following effect on revenue, expenditure and profit.

### Percentage Change In Fuel Price

<table>
<thead>
<tr>
<th>Percentage Change In Fuel Price</th>
<th>-10% $000</th>
<th>-5% $000</th>
<th>0% $000</th>
<th>5% $000</th>
<th>10% $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>411,600</td>
<td>419,800</td>
<td>428,000</td>
<td>436,200</td>
<td>444,400</td>
</tr>
<tr>
<td>Expenditure</td>
<td>334,400</td>
<td>341,300</td>
<td>348,200</td>
<td>355,100</td>
<td>362,000</td>
</tr>
<tr>
<td>Net Profit</td>
<td>77,200</td>
<td>78,500</td>
<td>79,800</td>
<td>81,100</td>
<td>82,400</td>
</tr>
</tbody>
</table>

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 no borrowings and therefore the interest rate risk is minimal.

<table>
<thead>
<tr>
<th>Year</th>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other operating income</td>
<td>Community service obligation</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>2,540,795</td>
</tr>
<tr>
<td></td>
<td>Reconnections</td>
<td>4,530</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2,545,325</td>
</tr>
<tr>
<td>Generation and distribution</td>
<td>Bought in electricity</td>
<td>3,561,954</td>
</tr>
<tr>
<td></td>
<td>Fuel</td>
<td>137,645,095</td>
</tr>
<tr>
<td></td>
<td>Lubricating oil</td>
<td>4,590,875</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>4,460,864</td>
</tr>
<tr>
<td></td>
<td>Personnel</td>
<td>25,407,171</td>
</tr>
<tr>
<td></td>
<td>Repairs and maintenance</td>
<td>31,933,454</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>207,601,960</td>
</tr>
</tbody>
</table>
### Notes to the Financial Statements (Continued)

For the year ended 31st December 2017

<table>
<thead>
<tr>
<th>9 Administration</th>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>2,430,499</td>
<td>2,100,749</td>
</tr>
<tr>
<td>Bank fees</td>
<td>319,713</td>
<td>1,130,589</td>
</tr>
<tr>
<td>Computer bureau charges</td>
<td>1,865,089</td>
<td>1,744,076</td>
</tr>
<tr>
<td>Consultancy fees</td>
<td>18,089,604</td>
<td>13,301,915</td>
</tr>
<tr>
<td>Directors fees and expenses</td>
<td>627,570</td>
<td>394,623</td>
</tr>
<tr>
<td>Electricity</td>
<td>2,949,745</td>
<td>3,816,113</td>
</tr>
<tr>
<td>Electricity rebate</td>
<td>4,632,483</td>
<td>1,001,382</td>
</tr>
<tr>
<td>Freight</td>
<td>205,032</td>
<td>213,246</td>
</tr>
<tr>
<td>Insurance</td>
<td>2,338,014</td>
<td>1,596,240</td>
</tr>
<tr>
<td>Personnel</td>
<td>10,202,013</td>
<td>19,153,639</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>2,146,769</td>
<td>2,410,953</td>
</tr>
<tr>
<td>Professional fees</td>
<td>1,080,046</td>
<td>1,743,848</td>
</tr>
<tr>
<td>Property expenses</td>
<td>4,628,537</td>
<td>4,017,097</td>
</tr>
<tr>
<td>Tax Penalties</td>
<td>-</td>
<td>206,579</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>3,372,687</td>
<td>4,478,374</td>
</tr>
<tr>
<td>Travel and accommodation</td>
<td>4,796,083</td>
<td>4,034,508</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>59,683,883</td>
<td>61,343,934</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>10 Operating expenses</th>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs handling charges</td>
<td>5,945,648</td>
<td>3,392,858</td>
</tr>
<tr>
<td>Personnel</td>
<td>17,866,359</td>
<td>17,953,848</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>3,882,631</td>
<td>5,650,408</td>
</tr>
<tr>
<td>Vehicle costs</td>
<td>3,453,391</td>
<td>3,810,321</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>31,148,030</td>
<td>30,807,434</td>
</tr>
</tbody>
</table>
### Property plant and equipment

<table>
<thead>
<tr>
<th>Land</th>
<th>Buildings</th>
<th>Generators</th>
<th>Plant and equipment</th>
<th>Distribution network</th>
<th>Furniture &amp; equipment</th>
<th>Motor vehicles</th>
<th>Tools</th>
<th>Work in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBD</td>
<td>SBD</td>
<td>SBD</td>
<td>SBD</td>
<td>SBD</td>
<td>SBD</td>
<td>SBD</td>
<td>SBD</td>
<td>SBD</td>
<td>SBD</td>
</tr>
</tbody>
</table>

#### Cost / Revaluation

- **Balance as 1 January 2016**
  - Off set of accumulated depreciation as a result of a revaluation: (6,721,350) (25,239,620) (5,078,656) (11,947,817) - - - - (48,987,442)
  - Adjustments to asset revaluation reserve resulting from a revaluation: 23,601,405 31,814,293 574,422 168,041 29,256,811 - - - 85,414,971
  - Disposals: (38,000) (1,096,800) (10,877,536) (59,064) (20,303) - - - (12,277,416)
  - Work in progress capitalised: 3,515,837 92,470,938 178,557 2,059,662 369,294 - - - (147,276,789)
  - Revaluation decrement: - (158,334) - - - - - - (158,334)

- **Balance at 31 December 2016**
  - Addition: 4,112 - - - 668,067 - - - 404,132,966
  - Disposals: - (1,843,635) - - - (280,347) - - - (2,123,982)
  - Work in progress capitalised: 1,296,071 9,791,803 52,781,356 10,006,546 22,784,409 722,680 - - - (102,608,119)
  - Revaluation decrement: - - - - - (158,334) - - - (158,334)

- **Balance at 31 December 2017**
  - Addition: 2,469,330 2,860,711 35,841,404 6,906,627 12,657,031 8,369,978 12,120,971 - 80,783,950
  - Amortisation of leasehold land: 1,234,665 - - - - - - - 44,772,161
  - Off set of accumulated depreciation as a result of a revaluation: (6,721,350) (25,239,620) (5,078,656) (11,947,817) - - - - (48,987,442)
  - Depreciation on disposed assets: (240,775) (10,597,496) (59,064) (20,303) - - - - (11,103,350)

- **Balance at 31 December 2018**
  - Addition: 3,703,995 1,037,089 17,103,251 7,342,824 7,831,258 4,237,140 4,511,654 2,207,531 86,699,983
  - Amortisation of leasehold land: 1,234,665 - - - - - - - 50,213,020
  - Depreciation on disposed assets: - (1,843,635) - - - - - - (2,096,853)

- **Balance at 31 December 2019**
  - Addition: 4,938,660 9,206,154 36,830,493 7,090,782 17,379,977 14,917,362 18,805,583 5,826,804 - 116,050,816
  - Carrying amounts:
    - At 31 December 2015: 24,282,607 31,225,637 93,246,830 47,862,270 167,340,113 8,369,978 12,120,970 3,214,246 163,326,905 550,989,546
    - At 31 December 2016: 50,127,184 156,511,031 173,059,229 44,487,104 191,790,402 10,889,772 8,790,496 2,303,930 76,878,824 714,037,972
    - At 31 December 2017: 50,192,703 158,133,768 204,273,996 52,914,598 206,383,071 9,662,728 5,257,691 2,146,077 106,464,573 795,429,205
### 11 Property plant and equipment continued

SIEA has a policy to revalue infrastructure and property assets every 3 to 5 years. The last such revaluation was completed in 2016. SIEA is of the opinion that there has been no material change in the carrying value of these assets since that revaluation.

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 2016 SIEA also engaged Value Solutions Appraisal (VSA) to carry out an independent valuation of all land and buildings. They were valued at fair value, based on market based evidence using Discounted Cash Flows upon the appraisal of a professionally qualified valuer.

These valuations were completed in January and December 2016 by SKM and VSA respectively and booked into the accounts from those dates and are accordingly reflected in the financial statements as at 31st December 2016.

In 2016 the combined results of this valuation process was an increase in fixed assets and the asset revaluation reserve of $85,414,971 as detailed in the table above. However, this increase in value was partially offset by an impairment loss of $158,334, also as detailed in the table above and expensed in the statement of comprehensive income.

SIEA holds both Perpetual Estate Land and Leasehold Land. In 2014, it was agreed with the Auditor General that leasehold land should be amortised, as shown below.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perpetual Estate Land</td>
<td>3,194,989</td>
<td>3,190,877</td>
</tr>
<tr>
<td>Leasehold Land</td>
<td>51,936,373</td>
<td>50,640,302</td>
</tr>
<tr>
<td>Reconnections</td>
<td>(4,938,660)</td>
<td>(3,703,995)</td>
</tr>
<tr>
<td></td>
<td>50,192,703</td>
<td>50,127,184</td>
</tr>
</tbody>
</table>

### 12 Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>43,000</td>
<td>43,000</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>221,765,007</td>
<td>201,144,479</td>
</tr>
<tr>
<td></td>
<td>221,808,007</td>
<td>201,187,479</td>
</tr>
</tbody>
</table>

### 13 Inventories

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical and mechanical</td>
<td>20,910,019</td>
<td>15,458,291</td>
</tr>
<tr>
<td></td>
<td>20,910,019</td>
<td>15,458,291</td>
</tr>
</tbody>
</table>

Fuel and lubricants are paid for on consumption from supplies held on site and on consignment from the supplier. South Pacific Oil Ltd, through a contract signed in 2012. Therefore no fuel and lubricants inventory is held by SIEA.

### 14 Receivables

#### Current

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables - kilowatt (Kwh)</td>
<td>53,221,567</td>
<td>48,733,228</td>
</tr>
<tr>
<td>Allowance for impairment - kilowatt (Kwh)</td>
<td>(19,276,118)</td>
<td>(14,208,187)</td>
</tr>
<tr>
<td>Trade receivables - CashPower</td>
<td>13,041,735</td>
<td>15,602,230</td>
</tr>
<tr>
<td>Allowance for impairment - CashPower</td>
<td>(12,963,221)</td>
<td>(15,105,642)</td>
</tr>
<tr>
<td>Related party - Solomon Islands Water Authority</td>
<td>937,500</td>
<td>937,500</td>
</tr>
<tr>
<td>Related party - Solomon Islands Broadcasting Corporation</td>
<td>891,426</td>
<td>891,426</td>
</tr>
<tr>
<td>Staff advances</td>
<td>312,409</td>
<td>289,858</td>
</tr>
<tr>
<td>Allowance for impairment- staff advances</td>
<td>(39,187)</td>
<td>(28,986)</td>
</tr>
<tr>
<td>Unread meters</td>
<td>13,847,290</td>
<td>13,516,102</td>
</tr>
<tr>
<td>Other debts</td>
<td>168,804</td>
<td>219,233</td>
</tr>
<tr>
<td></td>
<td>50,142,206</td>
<td>50,846,761</td>
</tr>
</tbody>
</table>

#### Non-Current

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Related party - Solomon Islands Water Authority</td>
<td>1,873,000</td>
<td>2,890,625</td>
</tr>
<tr>
<td>Deferred income - Solomon Islands Water Authority</td>
<td>(273,049)</td>
<td>(447,595)</td>
</tr>
<tr>
<td>Related party - Solomon Islands Broadcasting Corporation</td>
<td>61,705</td>
<td>829,955</td>
</tr>
<tr>
<td>Deferred income - Solomon Islands Broadcasting Corporation</td>
<td>(3,047)</td>
<td>(38,800)</td>
</tr>
<tr>
<td></td>
<td>1,660,609</td>
<td>3,234,185</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements (Continued)
For the year ended 31st December 2017

14 Receivables continued
On 31st May 2012 an agreement was signed between the Solomon Islands Government (SIG), Solomon Islands Water Authority (SIWA) and SIEA whereby the debt owed by SIWA of $7,500,000 was converted into a loan with a 0% interest rate for a term of 8 years commencing on 1st January 2013. The deferred income relates to the notional interest expense on this debt using the amortised cost method and is based upon discounted future cash flows.

On 8th May 2013 an agreement was signed between the Solomon Islands Broadcasting Corporation (SIBC) and SIEA whereby the debt owed by SIBC of $3,661,381 was converted into a loan with 0% interest rate for a term of 5 years commencing on 31st May 2013. The deferred income relates to the notional interest expense on this debt using the amortised cost method and is based upon discounted future cash flows.

<table>
<thead>
<tr>
<th>Allowance for impairment</th>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1st January</td>
<td>29,342,815</td>
<td>27,847,591</td>
</tr>
<tr>
<td>Impairment recognised</td>
<td>11,396,373</td>
<td>(861,604)</td>
</tr>
<tr>
<td>Bad debts written off during the year</td>
<td>(8,460,662)</td>
<td>2,356,828</td>
</tr>
<tr>
<td>Balance at 31st December</td>
<td>32,278,526</td>
<td>29,342,815</td>
</tr>
</tbody>
</table>

15 Contributed capital
Contributed capital

<table>
<thead>
<tr>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>246,933,170</td>
<td>246,933,170</td>
</tr>
</tbody>
</table>

Capital represents the Government’s contribution to the establishment of SIEA. This is not in the form of shares.

16 Deferred income

<table>
<thead>
<tr>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1st January</td>
<td>61,815,920</td>
</tr>
<tr>
<td>Additional deferred income</td>
<td>1,771,160</td>
</tr>
<tr>
<td>Deferred income recognised during the year</td>
<td>(6,392,961)</td>
</tr>
<tr>
<td>Balance at 31st December</td>
<td>57,194,119</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Current</th>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,392,961</td>
<td>6,392,961</td>
<td></td>
</tr>
<tr>
<td>Non-current</td>
<td>50,801,158</td>
<td>55,422,959</td>
</tr>
<tr>
<td>57,194,119</td>
<td>61,815,920</td>
<td></td>
</tr>
</tbody>
</table>

In 2007 the Government of Japan entered into an agreement with Solomon Islands Government to fund the construction of the 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 $3,058,000 was received from the World Bank through the Solomon Islands Sustainable Energy Project (SISEP) to fund the installation of a 33kv cable in Honiara. 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 cabling.

In 2013 a grant of approximately $1,493,000 was received from the World Bank through the Solomon Islands Sustainable Energy Project (SISEP) to fund the installation of 11kv switchgear in Honiara. 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 $839,000 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.
16 Deferred income continued

In 2015 a grant of approximately $765,000 was received from the Asian Development Bank to fund the construction of a Coconut Oil Conditioning Unit on 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 $1,015,000 was received from the Asian Development Bank to fund the procurement of a Generator Set on 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.

In 2015 a grant of approximately $867,000 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 $1,627,000 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 2016 a grant of approximately $32,500,000 was received from the United Arab Emirates Pacific Partnership Fund to fund a 50 KW solar grid 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 2017 an initial grant of approximately $1,465,000 was received from the Global Partnership on Output-Based Aid to subsidise the cost of providing electricity to low income households. 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 $17,000,000) has been utilised and the asset capitalised to the Fixed Asset register. In 2017 a grant of approximately $306,000 was 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 $ 17,000,000) has been utilised and the asset capitalised to the Fixed Asset register.

<table>
<thead>
<tr>
<th>Year</th>
<th>SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,722,700</td>
</tr>
<tr>
<td>2016</td>
<td>1,757,259</td>
</tr>
</tbody>
</table>

18 Related parties

a) Directors

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>David K.C. Quan</td>
<td>- chairman (appointed 19th February 2016)</td>
</tr>
<tr>
<td>Harry Zoleveke</td>
<td>- (appointed June 2012)</td>
</tr>
<tr>
<td>Henry Kapu</td>
<td>- (appointed June 2012)</td>
</tr>
<tr>
<td>John B Houaninahu</td>
<td>- (appointed September 2014)</td>
</tr>
<tr>
<td>Royaly Sike</td>
<td>- (appointed September 2014)</td>
</tr>
<tr>
<td>Sebastian Ilala</td>
<td>- (appointed June 2012)</td>
</tr>
<tr>
<td>Yolande Yates</td>
<td>- (appointed September 2014)</td>
</tr>
</tbody>
</table>

Directors’ fees and expenses are disclosed in Note 9. SIEA’s transactions with Directors were at arms length.
18 Related parties continued

b) Identity of related parties

As SIEA is the sole provider of electricity in the Solomon Islands all government and government related entities are its related parties. Other related parties include directors and employees of SIEA.

<table>
<thead>
<tr>
<th>Related party</th>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Bank of Solomon Islands</td>
<td>68,464</td>
<td>315,764</td>
</tr>
<tr>
<td>Central Provincial Government</td>
<td>16,920</td>
<td>8,048</td>
</tr>
<tr>
<td>Commodity Export Marketing Authority</td>
<td>-</td>
<td>1,207</td>
</tr>
<tr>
<td>Home Finance Corporation</td>
<td>38,354</td>
<td>(213,585)</td>
</tr>
<tr>
<td>Honiara City Council</td>
<td>818,911</td>
<td>533,399</td>
</tr>
<tr>
<td>Makira/Ulawa Provincial Government</td>
<td>26,250</td>
<td>12,881</td>
</tr>
<tr>
<td>Malaita Provincial Government</td>
<td>82,443</td>
<td>(5,038)</td>
</tr>
<tr>
<td>Ministry of Fisheries and Marine Resources</td>
<td>2,686,345</td>
<td>7,237,938</td>
</tr>
<tr>
<td>Provincial Hospital</td>
<td>61,132</td>
<td>83,958</td>
</tr>
<tr>
<td>Solomon Airlines Limited</td>
<td>218,035</td>
<td>119,240</td>
</tr>
<tr>
<td>Solomon Islands Broadcasting Corporation</td>
<td>1,114,805</td>
<td>2,066,723</td>
</tr>
<tr>
<td>Solomon Islands Government</td>
<td>16,174,509</td>
<td>3,076,627</td>
</tr>
<tr>
<td>Solomon Islands National University</td>
<td>576,469</td>
<td>453,654</td>
</tr>
<tr>
<td>Solomon Islands Ports Authority</td>
<td>392,944</td>
<td>513,271</td>
</tr>
<tr>
<td>Solomon Islands Postal Corporation</td>
<td>143,966</td>
<td>118,372</td>
</tr>
<tr>
<td>Solomon Islands Tourist Authority</td>
<td>-</td>
<td>17,463</td>
</tr>
<tr>
<td>Solomon Islands Water Authority</td>
<td>3,355,717</td>
<td>4,135,438</td>
</tr>
<tr>
<td>Temotu Provincial Government</td>
<td>8,691</td>
<td>3,958</td>
</tr>
<tr>
<td>Western Provincial Government</td>
<td>307,712</td>
<td>8,315</td>
</tr>
<tr>
<td>Isabel Provincial Government</td>
<td>117,724</td>
<td>(693)</td>
</tr>
<tr>
<td></td>
<td>26,309,390</td>
<td>18,482,938</td>
</tr>
</tbody>
</table>

Receivables for Solomon Islands Water Authority and Solomon Islands Broadcasting Corporation includes the Trade Receivables - kilowatt that relates to each of these organisations.

d) Transactions with key management personnel

Key management personnel comprises of the Chief Executive Officer, Chief Financial Officer, General Manager Capital Works, Chief Engineer, General Manager Corporate Services, General Manager Customer Services, Electrical Engineer, Manager Finance, Regulatory Manager, Property Manager, Manager Human Resources and Administration, Manager Generation and Outstations, Manager Transmission and Distribution, and the directors as listed in note 18 (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
  - 2017: 13,064,624
  - 2016: 15,177,340

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.

19 Commitments and contingencies

Capital commitments

SIEA undertakes capital works and purchases assets according to an approved budget when management consider that sufficient funds are available. Capital commitments as at 31 December 2017 amounted to $863,000,000 (2016: $771,000,000). These commitments are in relation to property, plant and equipment.

- Less Than 1 Year
  - 2017: 208,000,000
  - 2016: 158,000,000
- Between 1 year and 5 years
  - 2017: 655,000,000
  - 2016: 613,000,000
- 5 years and More
  - 2017: 863,000,000
  - 2016: 771,000,000

Contingent Liabilities

As at the end of the year SIEA was not party to any unsatisfied judgements and did not have any contingent liabilities under contracts or guarantees other than those arising in the normal course of business.
20 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 S$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 will be 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 commencing in December 2015. To date the following principal amounts have been borrowed and repaid under this loan agreement.

<table>
<thead>
<tr>
<th></th>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January</td>
<td>4,252,283</td>
<td>-</td>
</tr>
<tr>
<td>Borrowings</td>
<td>13,294,758</td>
<td>4,252,283</td>
</tr>
<tr>
<td>Principal Repayments</td>
<td>14,622,043</td>
<td>-</td>
</tr>
<tr>
<td>Balance at 31 December</td>
<td>2,924,999</td>
<td>4,252,283</td>
</tr>
</tbody>
</table>

21 World Bank Financing
a) Financial Support Received
SIEA has received financial support from the World Bank's International Development Association (IDA) and Output-Based Aid (OBA) programmes since 31 December 2015, for consulting services incurred under the Solomon Islands Sustainable Energy Project (SISEP).

b) Grants
SIEA has received total grants of USD 4,886,242 from these programmes since their commencement (2016: USD 4,380,873).

c) Credit Funds
The credit funds are 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:

<table>
<thead>
<tr>
<th></th>
<th>2017 SBD</th>
<th>2016 SBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H415-SB (IDA)</td>
<td>14,222</td>
<td>63,411</td>
</tr>
<tr>
<td>H913-SB (IDA)</td>
<td>302,249</td>
<td>148,122</td>
</tr>
<tr>
<td>TFA2923 (OBA)</td>
<td>188,898</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>505,369</td>
<td>211,533</td>
</tr>
<tr>
<td>Credit Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5379-SB (IDA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 January</td>
<td>551,383</td>
<td>-</td>
</tr>
<tr>
<td>Borrowings</td>
<td>1,748,897</td>
<td>551,383</td>
</tr>
<tr>
<td>Principal Repayments</td>
<td>1,934,071</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>366,210</td>
<td>551,383</td>
</tr>
<tr>
<td>Expenses</td>
<td>176,162</td>
<td>226,905</td>
</tr>
</tbody>
</table>

22 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.

23 Subsequent events
There has not arisen in the interval between the end of the year and the date of this report any other item, transaction or event of a material and unusual nature that is likely, in the opinion of the Directors, to significantly affect the operations of SIEA, the results of those operations or the state of affairs of SIEA in subsequent financial years.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Unit Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>kV</td>
<td>Kilovolt</td>
</tr>
<tr>
<td>HV</td>
<td>High Voltage</td>
</tr>
<tr>
<td>kW</td>
<td>Kilowatts</td>
</tr>
<tr>
<td>MW</td>
<td>Megawatt (= 1000 kW)</td>
</tr>
<tr>
<td>Gwh</td>
<td>Gigawatt-hour (= 1 million kWh)</td>
</tr>
</tbody>
</table>