



POWERING THE NATION

HONIARA

TULAGI

AUKI

MARLU

GIZO

MUNDA

NORO

BUALA

LATA

KIRA KIRA

SIEA ....POWERING THE NATION

© SIEA

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## MAP OF HONIARA OFFICES



### CONTACT DETAILS:

Contact SIEA call center in Honiara on 166. Or you can call Hyundai Mall at 21711. After Hours/ Emergencies: 30237. If you are in Malaita you can call 40114 or 40042. In Noro, call 61251; Gizo 60146 or 60465; Munda 62191, if you are in Lata call 53056; Kirakira 50032; Buala 35042 and in Tulagi 32126. Or if you have access to email, then please email us on :

[feedback.website@siea.com.sb](mailto:feedback.website@siea.com.sb).

Our Website is [www.siea.com.sb](http://www.siea.com.sb)

## MAP OF ALL SIEA POWER STATIONS



## OUR VISION

**Powering the Nation**

## OUR MISSION

**To provide a safe, reliable and economic supply of electricity to meet our stakeholders needs.**

## OUR VALUES

**Respect for our Customers and our People**

**Improvement through change**

**Meeting our Service Quality**

**Commitments**

**Care for the Environment**

**Ownership and Responsibility for our Actions**

**Honesty**

**Teamwork**





# HIGHLIGHTS OF 2010

- No load shedding from April through to December.
- Upgrading of the billing and accounting software system for the first time in over 20 years.
- The installation of a modern Local Area Network (LAN) with appropriate performance and security improvements.
- Improved cash flow which enabled the purchase of urgently needed spares for major generator overhauls as well as new generators for Lata and Gizo.
- The installation of pre-paid Cash Power meters for some 60% of the customer base.
- Negotiation of a fuel supply agreement with South Pacific Oil (SPO) on more favourable terms.
- The training of all staff in Customer Service Skills.
- The appointment of an International Director with a wide background in the electricity industry.
- The appointment of an experienced General Manager.
- The timely development of a Statement of Corporate Objectives for the Shareholders, as required by the State Owned Enterprises Act.

## Solomon Islands Electricity Authority Notes to the financial statements For the year ended 31 December 2010

17. Related parties (continued)
- (d) Transactions with key management personnel  
Key management personnel comprises of the General Manager, Chief Engineer, Manager Finance, Legal Officer, Manager Generation and Manager Administration.  
In addition to their salaries, the Authority also provides non-cash benefits to key management personnel.  
Key management remuneration to local executive management is disclosed in Note 8.  
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 arm's length.
18. Commitments and contingencies  
The Authority undertakes capital works and purchases assets according to an approved budget when management consider sufficient funds available. Capital commitments as at 31 December 2010 amounted to \$96,187,213 (2010:Nil). These commitments are in relation to property, plant and equipment.  
The Authority has defended a number of unfair dismissal cases arising during the past ten years. Only four such cases remain. In all others the Authority has been successful. Legal work is undertaken by in-house legal officers. The directors do so expect the outcome of any action to have a material effect on the Authority's financial position.
19. Adjustment for prior period errors  
In the current year, upon reconciliation of various balance sheet accounts, a net unrecognised difference of \$102,219,173 resulted. This difference has been adjusted against accumulated losses at 31 December 2009. Retrospective restatement is impracticable as appropriate records are no longer available.
20. Subsequent events  
On 10 June 2011, the Finance Minister announced a five percent appreciation to the Solomon Dollar. The appreciation came into effect on 14 June 2011. No adjustment has been made in respect of this in the financial statements for the year ended 31 December 2010.

Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2010

17. Related parties (continued)

(b) Identity of related parties  
As the Authority 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 the Authority.

(c) Amounts receivable from related parties  
Included in trade receivables are the following amounts receivable from related entities:

	2010 SBD	2009 SBD
Solomon Islands Broadcasting Corporation	2,400,247	1,493,853
Solomon Islands Tourist Authority	7,391	10,578
Solomon Islands Prisons Limited	65,778	75,401
Savage Marine Limited	54,891	40,448
Solomon Airlines Limited	55,915	21,398
Solomon Islands Postal Corporation	55,527	486,209
Solomon Islands Water Authority	22,605,613	13,989,283
Solomon Islands Ports Authority	219,346	289,325
Commodity Export Marketing Authority	-	157,894
Hansa Finance Corporation	-	135,894
Guadalcanal Provincial Government	-	1,228,190
Malaita Provincial Government	1,229,663	1,228,578
Central Provincial Government	-	100,123
Makira/Ulawa Provincial Government	822,202	575,120
Tarawa Provincial Government	445,963	363,859
Tonkele Provincial Government	36,863	34,528
Western Provincial Government	982,060	941,190
Sekel Fishing and Processing Limited	1,608,576	1,783,892
Honiara City Council	115,306	93,582
Livestock Development Authority	-	87
Solomon Islands Government	5,677,064	3,708,328
Solomon Islands College of Higher Education	1,835,224	1,228,190
	<u>38,184,818</u>	<u>27,882,890</u>

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CHAIRMAN’S STATEMENT

2010 has been a difficult year for SIEA as we have struggled with increasing oil prices and mounting debts from a number of organisations. In spite of these difficulties, we did manage to ‘keep the lights on’ in Honiara for most of the year without any interruptions due to load shedding. This was a most credible achievement by our generation staff, given the age of some of our equipment.

There were also a number of significant achievements during the year:

- A new General Manager, Norman Nicholls, was appointed and took up office as from 1<sup>st</sup> March. Norman has had wide managerial experience, both in the power and telecommunication industries, in several countries.
- An External Director, David Laurie, was appointed to the Board. Some years ago David was the Distribution Engineer in SIEA, so he is very familiar with the issues we face.
- There was a major drive to install more pre-paid (Cash Power) meters throughout the country. Now more than 60% of our customers use these meters and our debt issues with residential customers have been significantly reduced.
- A detailed study was carried out by the engineering consultants, SKM, into losses in our system. The results have enabled us to focus on key areas for improvement.

All of the above initiatives are part of the Solomon Islands Sustainable Energy Project (SISEP) which is funded by the Solomon Islands Government supported by the World Bank.

I am certain that, with these initiatives together with the plans we have for 2011, SIEA will be turned into an efficient, financially viable State Owned Enterprise (SOE) in the New Year.

Yours sincerely,

Anthony Makabo  
  
Interim Chairman

Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2010

	2010	2009
	SRD	SRD
15. Deferred income		
Balance at 1 January	36,644,539	39,149,773
Grant income recognised in profit and loss	(2,505,234)	(2,505,234)
Balance at 31 December	<u>34,139,305</u>	<u>36,644,539</u>

In 2007 the Government of Japan entered into an agreement to fund the construction of Langa Generator and Power Station on behalf of the Authority. The funding of these capital works is a non reciprocal grant. The value of the capital works was approximately \$48m and had been accounted for the authority as a non current asset and a corresponding deferred income in 2007.

16. Trade and other payables	2010	2009
	SRD	SRD
Current		
Trade creditors	26,088,718	9,341,919
Other payables and accruals	12,008,648	5,807,216
Consumer deposits	<u>66,908</u>	<u>1,855,272</u>
	<u>38,174,332</u>	<u>17,005,907</u>
Non Current		
Consumer Capital contributions	<u>12,897,412</u>	<u>8,049,623</u>
	<u>12,897,412</u>	<u>8,049,623</u>

17. Related parties

(a) Directors

The directors in office at the date of the report are:

Alex Douglas  
Anthony Makabo  
David Laurie  
Henry Tobani  
Joan Tishan  
Mama Pass  
Nanette Tuma  
Stephen Fanga

Director fees and expenses are disclosed in Note 7

The Company's transactions with directors were on normal terms and conditions.

Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2010

	2010	2009
	SID	SID
15. Deferred income		
Balance at 1 January	36,644,529	39,349,773
Gross income recognised in profit and loss	(2,905,234)	(2,905,234)
Balance at 31 December	34,139,385	38,844,539

In 2007 the Government of Japan entered into an agreement to fund the construction of Lungga Generator and Power Station on behalf of the Authority. The funding of these capital works is a non reciprocal grant. The value of the capital works was approximately \$48m and had been accounted for the authority as a non current asset and a corresponding deferred income in 2007.

16. Trade and other payables	2010	2009
	SID	SID
Current		
Trade creditors	26,068,778	9,341,819
Other payables and accruals	13,008,648	5,887,216
Consumer deposits	66,909	1,855,273
	39,174,333	17,083,307
Non-Current		
Consumer Capital contributions	12,997,412	8,049,823
	12,997,412	8,049,823

17. Related parties

(a) Directors

The directors in office at the date of the report are:

- Alex Douglas
- Anthony Mubalo
- David Lario
- Henry Tobani
- Josea Tihau
- Mama Pasi
- Nanette Tihau
- Stephen Panga

Directors fees and expenses are disclosed in Note 7

The Company's transactions with directors were on normal terms and conditions.

THE GENERAL MANAGER’S REPORT

Since commencing on the 1<sup>st</sup> of March 2010 a great deal has been accomplished, as detailed in the ‘Highlights’ section of this report, but there is still a great deal to do to put SIEA on a solid financial path that will ensure that we can meet the expectations of the country. The efforts of our staff in reducing outages for much of this year is most commendable, but we are still in a very vulnerable position as we do not have the reserve generation capacity that we need for Honiara, particularly now that the city is growing rapidly.

It was most pleasing to find that, after an extensive study by Sinclair Knight Merz (SKM), an engineering consultancy firm, our network losses were only 9-11%; close to our target of 8%. They did point out some significant weaknesses in our network and we are now working with them to overcome these issues.

More disturbing were the commercial losses that they discovered were up to 17.5%. These arise from inaccurate meter reading, billing errors, illegal bypass, etc. Therefore a major focus for the coming year will be on this area. Fortunately we now have the tools, such as electronic hand held computers for meter readers, to get to the bottom of these issues. In addition we are carrying out regular audits of all customer installations to track down any faulty meters, or illegal connections. We are also ‘getting tough’ on those who bypass our meters and debtors.

It is most important that we improve our financial situation so that we can undertake the investments required to meet the objectives for all of our stakeholders including Government, Customers, Staff, Suppliers and the country as a whole.

We have also embarked on an extensive publicity campaign so that our customers are informed of our difficulties and what we are doing about them. The campaign also covers such issues as Safety and Energy Conservation. This has been well received and we intend to expand it next year into a regular radio programme with talk-back sessions.

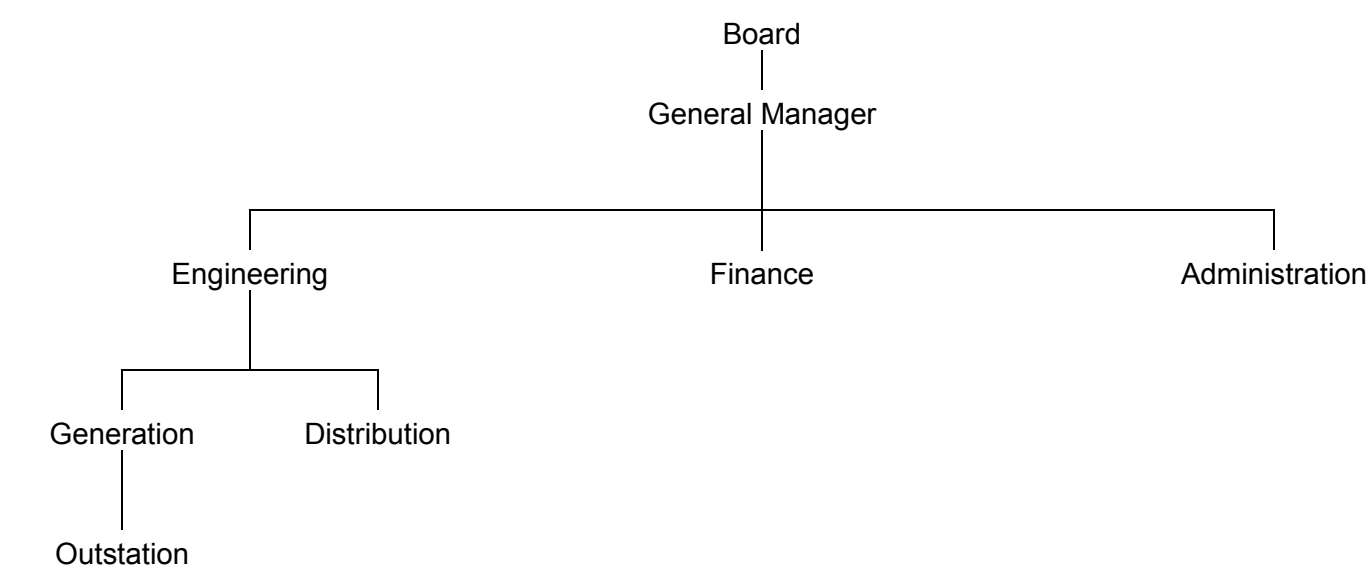
Norman R Nicholls

General Manager



STRUCURE

Overview of SIEA



Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2010

10 Property, plant and equipment (continued)

In September 2010, an independent valuation of the land and buildings - operational and non operational was performed by Value Solution Appraisal Company.

	2010 SBD	2009 SBD
11. Cash and cash equivalents		
Cash at bank	12,907,282	3,720,311
12. Inventories		
Fuel and lubricants	4,749,982	4,250,433
Electrical and mechanical	6,859,666	10,255,871
Provision for inventory obsolescence	-	(584,617)
	11,609,628	13,521,687
13. Trade and other receivables		
Trade receivables	92,806,745	16,275,663
Provision for doubtful debt- trade receivables	(57,315,938)	-
Staff advances	828,731	357,914
Loan provision for-doubtful debt- staff debtors	(116,483)	-
Unreal motors	16,283,728	8,121,682
	31,485,688	14,955,259
Provision for doubtful debts		
Balance at 1 January	-	16,820,023
Provision for doubtful debts recognized	(57,315,938)	-
Provision for doubtful debts utilized	-	(16,820,023)
Balance at 31 December	(57,315,938)	-
	2010 SBD	2009 SBD
14. Contributed capital		
Contributed capital	250,901,688	246,933,176

Capital represents Government's contribution on the establishment of Solomon Islands Electricity Authority. This is not in the form of shares.

In 2000 the Government of Solomon Islands a grant amounting to \$2,173,518 (2009: Nil) under the Solomon Islands Sustainable Energy Project. This has been accounted for as a capital transaction as the government has provided this grant in its capacity as a shareholder.

Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2010

10. Property, plant and equipment

	Land and building operational SBD	Land and building non operational SBD	Plant and equipment SBD	Distribution network SBD	Office furniture and equipment SBD	Motor vehicles SBD	Tools SBD	Work in progress SBD	Total SBD
<b>Cost / Revaluation</b>									
Balance as 1 January 2009	17,190,200	13,478,450	99,901,340	23,876,521	2,153,280	4,568,280	212,560	-	161,380,631
Additions	-	-	5,848,591	-	181,199	2,329,277	40,056	-	8,399,123
Transfers / Write off	-	(72,190)	(474,826)	(85,903)	(147,855)	(46,150)	(22,717)	-	(849,641)
Balance at 31 December 2009	17,190,200	13,406,260	105,275,105	23,790,618	2,186,624	6,851,407	229,899	-	168,930,113
Adjustment for prior period errors	-	405,371	38,500,603	1,519,445	(99,441)	46,150	16,223	-	40,388,351
Additions	332,560	13,960	2,217,036	3,568,932	354,564	1,656,946	52,160	59,037	8,255,195
Off set of accumulated depreciation as a result of revaluation	-	(3,762,546)	-	-	-	-	-	-	(3,762,546)
Revaluation during the year	-	3,922,425	-	-	-	-	-	-	3,922,425
Impairment loss	(738,353)	-	-	-	-	-	-	-	(738,353)
Balance at 31 December 2010	16,784,407	13,985,470	145,992,744	28,878,995	2,441,747	8,554,503	298,282	59,037	216,995,185
<b>Depreciation</b>									
Balance as 1 January 2009	2,481,683	2,795,049	21,127,676	5,744,359	904,527	2,222,689	122,137	-	35,398,120
Depreciation	620,609	709,070	6,870,408	1,460,895	363,831	1,017,516	11,089	-	11,053,418
Disposals	-	(72,190)	(474,826)	(85,903)	(147,855)	(46,150)	(22,717)	-	(849,641)
Balance as at 31 December 2009	3,102,292	3,431,929	27,523,258	7,119,351	1,120,503	3,194,055	110,509	-	45,601,897
Depreciation	368,622	337,997	8,201,165	1,326,268	234,291	769,027	20,068	-	11,257,438
Off set of accumulated depreciation as a result of revaluation	-	(3,762,546)	-	-	-	-	-	-	(3,762,546)
Adjustment for prior period errors	-	58,229	311,416	121,742	94,374	56,657	37,388	-	679,806
Balance at 31 December 2010	3,470,914	65,609	36,035,839	8,567,361	1,449,168	4,019,739	167,965	-	53,776,595
<b>Carrying amount</b>									
At 1 January 2009	14,708,517	10,683,401	78,773,664	18,132,162	1,248,753	2,345,591	90,423	-	125,982,511
At 31 December 2009	14,087,908	9,974,331	77,751,847	16,671,267	1,066,121	3,657,352	119,390	-	123,328,216
At 31 December 2010	13,313,493	13,919,861	109,956,905	20,311,634	992,579	4,534,764	130,317	59,037	163,218,590

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## OVERVIEW OF ORGANISATION BOARD OF SIEA



Back row: Mr. Mamu Paza, Mr. Joses Tahua, Oversees Director Mr. David Launie, Mr. Henry Tobabi, Mr Alex Douglas

Front Row: Ms. Nanette Tutua, General Manager Mr. Norman Nicholls, Deputy Chairman Mr. Anthony Makabo, SIEA Board Secretary Mrs. Natalie Kairi

Absent: Hon. Stephan Panga , Chairman Mr. Walton Naezon,

SIEA MANAGEMENT:



General Manager  
Mr. Norman Nicholls



Chief Engineer  
& Manager  
Distribution  
Mr. Martin Sam



Manager  
Administration  
Mrs. Jan Sanga



Manager  
Generation  
Mr. Dadily Posala



Legal Officer  
Mr. Barnabas Upwe

Absent: Finance Manager, Mr. Benjamin Aitoroi  
Commercialisation Manager, Mr. Richard Scott

Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2010

	2010 SBD	2009 SBD
7. Administration		
Included in administration expenses are the following:		
Advertisements	-	322,836
Board fees and expenses	438,679	352,519
Computer bureau charges	1,770,624	-
Customs & post charges	4,358,118	1,992,828
Depreciation	1,219,818	1,235,433
Electricity rebate	1,411,232	2,124,159
Freight	1,358,966	721,150
Inventory obsolescence	-	817,540
Printing & stationery	811,014	888,470
Doubtful debts expense - staff debts	118,483	-
Repairs and maintenance	1,221,319	1,001,846
Rent	226,226	261,539
Travel and accommodation	1,846,936	726,302
Bad debts write-off - trade receivables	2,400,338	-
8. Personnel expenses		
Wages and salaries expense	15,119,082	10,770,722
Key management compensation	1,816,337	587,150
National Provident Fund contributions	1,805,743	1,031,272
Housing allowance and shift allowance	1,248,180	1,422,784
Other staff related costs	592,099	522,288
	28,581,411	14,334,226
9. Finance income and costs		
Finance income		
Unrealised foreign exchange gains	138,018	-
Finance cost		
Interest on loans	-	102,283

Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2010

4. Financial risk management (continued)

(ii) Liquidity risk (continued)

31 December 2009

	Carrying amount SBD	6 months or less SBD	6-12 months SBD	Greater than 1 year SBD
<b>Financial assets</b>				
Cash at bank	3,730,311	3,730,311	-	-
Trade and other receivables	26,833,577	26,833,577	-	-
	<u>30,563,888</u>	<u>30,563,888</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>				
Trade and other payables	25,853,139	17,003,587	-	8,849,623
	<u>25,853,139</u>	<u>17,003,587</u>	<u>-</u>	<u>8,849,623</u>

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Authority'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.

	2010 SBD	2009 SBD
<b>5. Generation</b>		
Included in generation expenses are the following:		
Depreciation	8,689,125	7,710,296
Engines and lubricants	17,001,387	13,873,534
Fuel	<u>174,436,188</u>	<u>162,571,273</u>
<b>6. Distribution</b>		
Included in distribution expenses are the following:		
Depreciation	1,434,898	1,780,848
Distribution lines	<u>1,686,706</u>	<u>2,767,041</u>

CONSTITUTION AND FUNCTION

The Solomon Islands Electricity Authority was established, incorporated and constituted under the provisions of the Electricity Act 1969 (Cap 128) and began operating as of 1<sup>st</sup> January 1969.

Up until February 2010, the members of the Authority were appointed by the Minister of Mines, Energy Rural Electrification. Under the new State Owned Enterprises Regulations 2010, significant changes were made for the appointment of members of the statutory bodies such as the Solomon Islands Electricity Authority. The Regulations require any vacancy to be advertised and there needs to be a screening process in consultation with the responsible Ministers to ensure that Board Members have the required skills. The responsible Ministers, namely the Minister of Finance and Ministry of Mines, Energy and Rural Electrification, jointly appoint members in consultation with the Board.

The powers, functions and duties of Solomon Islands Electricity Authority under the Electricity Act are to establish, manage and work such electrical installations, to secure the supply of electricity at reasonable prices, to promote and encourage the generation of electricity with a view to the economic development of Solomon Islands and to ensure that there are adequate standards of safety, efficiency and economy in respect of the production, transmission, distribution and use of electricity.

The tariff is regulated by the Electricity (Tariff) (Automatic Base Tariff and Fuel Tariff Adjustment) Regulation 2005. Under this regulation the tariff is automatically adjusted every quarter.

The Authority is entrusted with enforcing the Electricity Act and regulations, setting standards, examining and registering electricians and is empowered to approve and licence independent power producers (IPP).

The Authority is also governed by the requirements of the State Owned Enterprises Act 2007.

REVIEW OF OPERATIONS:

ENGINEERING

1. Power Generation Activities.

Power supply to Honiara during the first half of the year was initially affected by the breakdown of peak load generators, namely the H1 and H2 Perkins at the Honiara Power station and the L6 Mirlees Generator at the Lungga Power Station. The situation was worsened further when L8 Wart-sila generator was taken off service for major overhaul for almost a month; during which Honiara experienced extensive Load shedding.

Power in Honiara was back to normal for the rest of the year after L8 was back into service again in April.

Inefficiencies in the cooling systems of the Lungga generators have been an ongoing issue. The ef-fect was that the generators were being de-rated, especially on a hot day, hence reducing their output capacity. In total the generation capacity is being reduced by about 2.8 to 3.0MW. Tenders were called for the maintenance of the cooling system from local Engineering Firms however, the re-sponse was poor and those that responded lacked the experience and knowledge to do the mainte-nance. International tenders will be called in future.

At the Outstations, Malu’u and Lata Stations were without power when the only operational genera-tors failed, whilst Gizo and Auki experienced load shed due to failures on their supporting genera-tors.

In order to improve reliability of power supply to the Outstations, 2x120 Kva generators were in-stalled at Lata and 1x750kva generator was installed at Auki. Servicing of the existing generators at the other Outstations was also carried out during the year.

Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2010

4. Financial risk management (continued)

(i) Credit risk (continued)

The Authority's maximum exposure to credit risk is as follows:

	2010	2009
	SBD	SBD
Cash at bank	12,907,282	3,730,311
Trade receivables	92,606,745	26,235,663
Other receivables	625,751	353,814
	<u>105,539,788</u>	<u>30,333,888</u>

Trade and other receivables are determined (impaird as follows):

	2010	2009
	SBD	SBD
Trade and other receivables		
Gross receivables	92,632,466	26,833,377
Specific impairment	(37,452,329)	-
	<u>55,180,137</u>	<u>26,833,377</u>

(ii) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Authority'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 the Authority's reputation.

Typically the Authority ensured that it has sufficient cash on demand to meet operational expenses including the servicing of financial obligations; this includes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities and financial assets:

31 December 2010

	Carrying amount	6 months or less	6-12 months	Greater than 1 year
	SBD	SBD	SBD	SBD
<b>Financial assets</b>				
Cash at bank	12,907,282	12,907,282	-	-
Trade and other receivables	92,632,466	92,632,466	-	-
	<u>105,539,788</u>	<u>105,539,788</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>				
Trade and other payables	51,171,743	38,174,333	-	12,997,412
	<u>51,171,743</u>	<u>38,174,333</u>	<u>-</u>	<u>12,997,412</u>

Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2010

4. Financial risk management

Overview

The Authority has exposure to the following risks from its use of financial instruments:

- 1. Credit risk
- 2. Liquidity risk
- 3. Market risk

This note provides information about the Authority's exposure to each of the above risks, the Authority'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 the Authority's risk management framework. The Authority's risk management policies are established to identify and analyse the risks faced by the Authority, 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 the Authority's activities. The Authority, 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.

The Authority's Board oversees how management monitors compliance with the Authority's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Authority.

The above risks are limited by the Authority's financial management policies and procedures as described below:

(i) Credit risk

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Authority's receivables from customers.

Trade and other receivables

The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However management also considers the demographics of the Authority's customer base, including the default risk of the industry as these factors may have an influence on credit risk.

The Authority 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 asset in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.



Fig. 1: New 750Kva Cummins Generator Installed at Auki.

2. Transmission and Distribution Activities

An additional 11/33KV, 10/12MVA transmission transformer was installed and commissioned at the Lungga Power Station. This was to increase the transmission capacity as well as to improve on the reliability of the system.

Work on the extension of the HV network from Foxwood (east of Honiara) to Ngalmibiu on the Guadalcanal Plains was started, however progress was slow due to land issues.

Within the Honiara City, improvements to parts of the network switching were done by installing links between Feeders systems. This has greatly improved the flexibility of switching from one Feeder to another to allow for maintenances or repairs to be carried out on parts of the network.

At the Outstations, the Gizo and Auki 500kva transmission transformers were serviced and put to parallel operation modes to ensure that a transformer was always available. Feeder No.2 at Gizo was re-routed to pick as additional customers in the newly developed areas of the town.

3.0 Issues and Challenges.

On power generation the issue has been to keep the lights on and also to be able to meet the growing demand for power, especially in Honiara. The energy growth rate for Honiara averages around 6%

per annum and in order to be able to meet the demand, additional generation capacity will have to be added to the current system by 2011.

At the Outstations, the aging generators and power lines are of concern and will require replacements and upgrade.

In Honiara, parts of the Distribution network need to be upgraded and new extensions are required to connect additional customers.

4.0 Power System Reliability.

For the first time SIEA is able to measure its Honiara power system reliability using the internationally accepted performance indicators as follows:

- The System Average Interruption Duration Index (SAIDI), a measure of the average total length of time (in minutes) that a customer is without power over a one year period. For Honiara SAIDI was measured at 584 minutes.
- The System Average Interruption Frequency Index (SAIFI), a measure of the average number of times that a customer’s power is interrupted in a year. For Honiara SAIFI is measured at 7.7 times.
- The Customer Average Interruption Duration Index (CAIDI), a measure of the average time (minutes) that a customer is without power per interruption. For Honiara CAIDI was measured at 70 minutes per interruption.

Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2010

3. Significant accounting policies (continued)

(g) Employee benefits

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Authority deducts and pays 5 percent of the employees’ gross salaries and contributes 7.5 percent of employees’ 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 profit or loss in the periods during which services are rendered by employees.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in the profit or loss as the related service is provided.

(h) Trade payables and other payables

Trade and other payables are stated at cost.

(i) Revenue recognition

Revenue earned from the provision of electricity services is measured at the fair value of the consideration received or receivable. Revenue is recognised when the service has been provided to the customer and consideration is recoverable.

(j) Finance costs

Finance costs comprise of interest expense on borrowings and foreign exchange losses.

(k) Grants

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

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

Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2010

3. Significant accounting policies (continued)

(a) Impairment (continued)

Loans and receivables

The Authority 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 the Authority 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. Loans are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(b) Non-financial assets

The carrying amounts of the Authority'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 generate cash in-flows from continuing use that are largely independent of the cash in-flows 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 profit or loss.

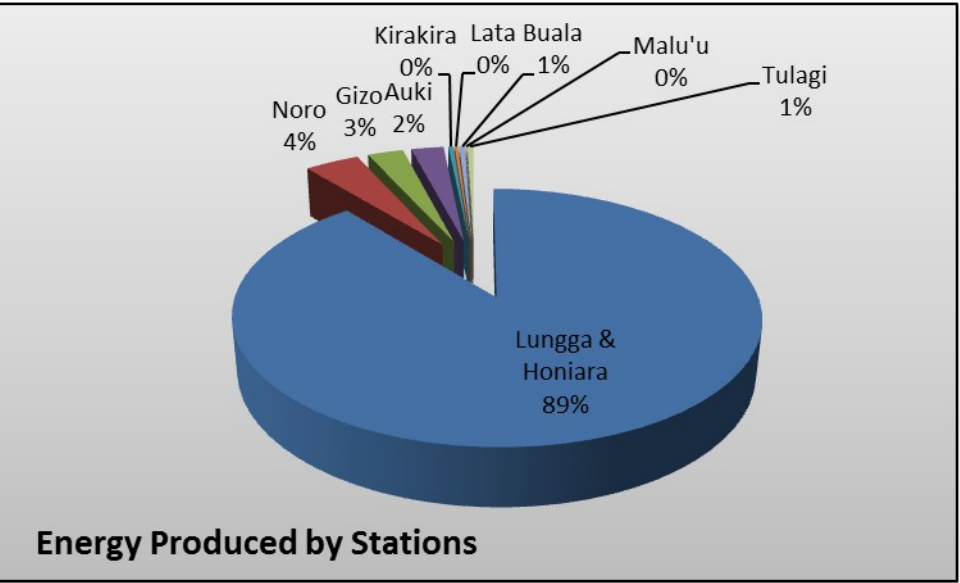
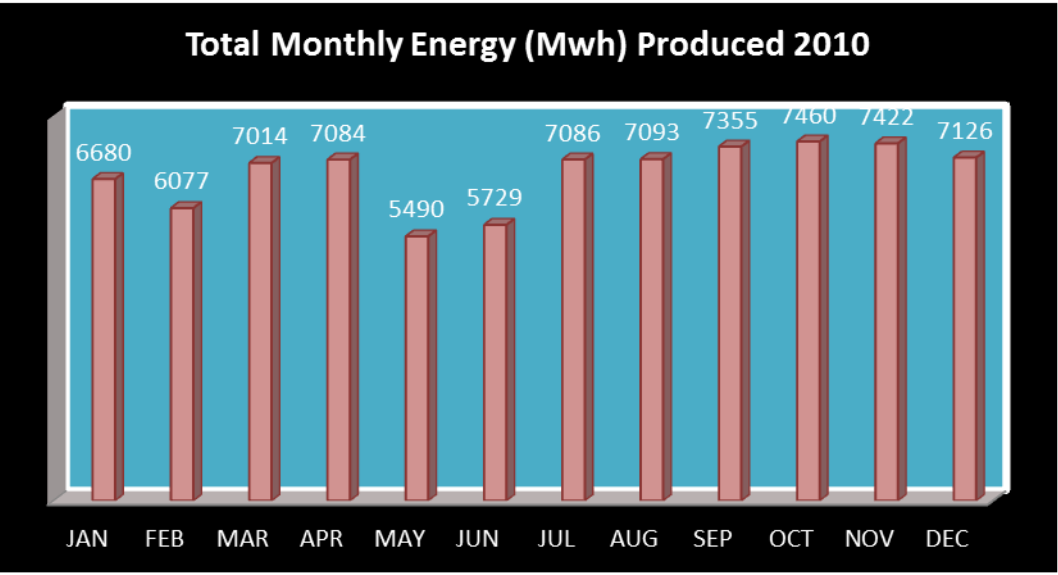
(c) Income tax

The Authority is exempt from income tax under the Solomon Islands Electricity Authority Act 2003.

5.0 Generation Statistics

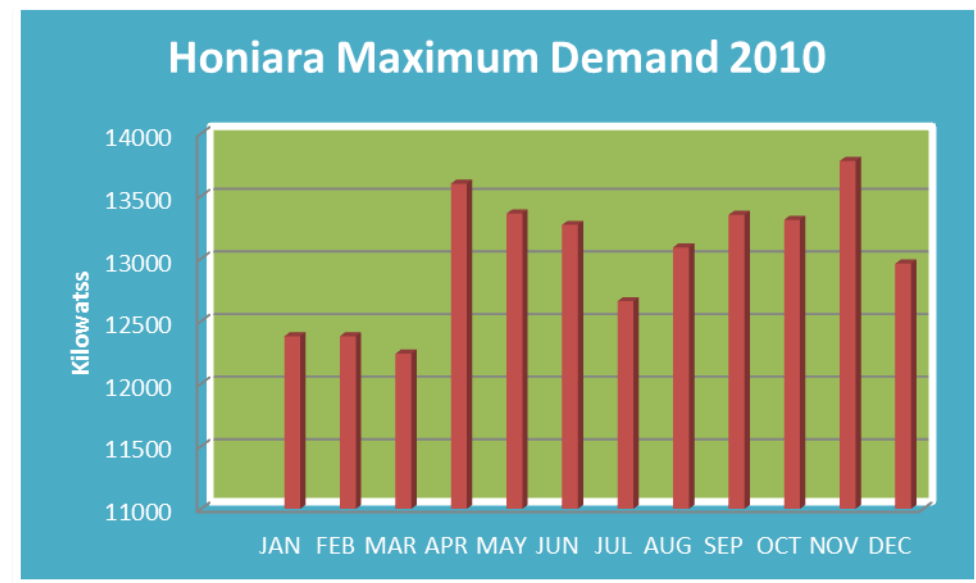
5.1 Energy Produced

SIEA produced a total of 83,520Mwh in 2010 and increase of about 7% over the 2009 production. Energy production however, was affected by the load shedding during the months of May and June due to the breakdown of the L8 Wartsila generator. Of the energy produced in 2010, 74,520Mwh (89%) was from Lungga and Honiara power stations and 9,100Mwh (11%) was from the Outstations.



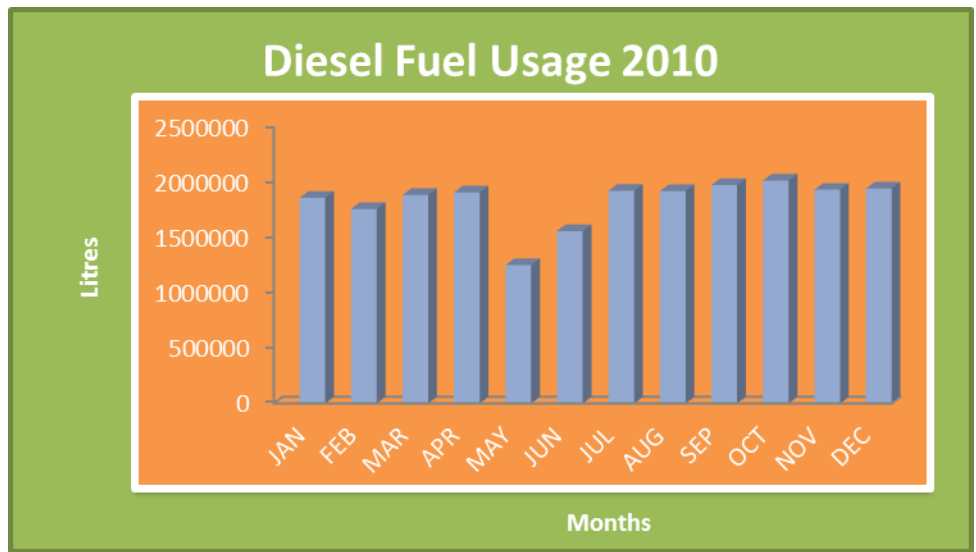
5.2 Maximum Demand.

Maximum Demand for Honiara in 2010 peaked at around 13,780 Kilowatts compared to 12,880 Kilowatts in 2009, an increase of about 7%.



5.3 Diesel Fuel Usage

Fuel usage for 2010 was 21.9 Mega litres 87% (19.2 Mega litres) of which is used in the Honiara operation and the remaining 13% (2.7 Mega litres) used by the Outstations operations.



<p>Solomon Islands Electricity Authority Notes to the financial statements For the year ended 31 December 2010</p>	
3.	Significant accounting policies (continued)
(c)	Property, plant and equipment (continued)
(i)(i)	Depreciation
<p>Depreciation is based on the cost 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.</p> <p>Depreciation is recognized in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:</p>	
Land	Not depreciated
Buildings	2%
Plant and equipment	5.7%
Distribution network	3%
Office furniture and equipment	15%
Motor vehicles	13.5%
Tools	10.5%
<p>Depreciation methods, useful lives and residual values are reviewed at each reporting date.</p>	
(ii)	Inventories
<p>Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.</p> <p>Net realisable value is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and selling prices.</p>	
(ci)	Impairment
(i)	Non-current financial assets
<p>A financial asset not carried at fair value through profit or loss 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.</p> <p>Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Authority on terms that the Authority 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.</p>	

**Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(b) Financial instruments (continued)**

**(i) Non derivative financial liabilities**

All financial liabilities are recognised initially on the trade date, which is the date that the Authority becomes a party to the contractual provisions of the instrument. The Authority 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, the Authority 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.

The Authority 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 loans and borrowings and trade and other payables.

**(ii) Contributed capital**

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

**(c) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased 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 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 is 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 profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

**(ii) 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 the Authority and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

**Generation: Lungga Power Station, Honiara.**

*“At the bottom of our hearts, everybody*

*understands and feels*

*that the core function*

*for this station is to*

*generate power for*

*this nation. It is our*

*pride” says Mr. An-*

*drew Dakamae, a*

*senior electrician at*

*the SIEA Lungga*

*Power Station.*





**Distribution:** Surveying new installation sites, replacing poles during stormy weather, rehanging lines.

*“My work with Distribution?”, says Mr. Coleman Lokea, a linesman for SIEA in Honiara. “It’s got a few challenges,. You work when it’s day, night, rainy, hot, but you must work and get the job done, make the customers happy by keeping the power coming”.*

<p><b>Solomon Islands Electricity Authority</b>  <b>Notes to the financial statements</b>  <b>For the year ended 31 December 2010</b></p>	<p>10</p>
<p><b>3. Significant accounting policies</b>  The principal accounting policies adopted by the Authority are stated to assist in a general understanding of the financial statements.</p>	<p>11</p>
<p><b>(a) Foreign currency transactions</b>  Transactions in foreign currencies are translated to Solomon Island dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Solomon Island dollars at the exchange rate at that date. The foreign currency gain or loss on translation is recognised in the profit or loss.</p>	<p>12</p>
<p><b>(b) Financial instruments</b>  <b>(i) Non derivative financial assets</b>  The Authority 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 the Authority becomes a party to the contractual provisions of the instruments.  The Authority 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 the Authority 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, the Group has legal right to offset the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.  The Authority classifies non-derivative financial assets into loans and receivables.  <b>Loans and receivables</b>  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 effective interest method, less any impairment losses.  Loans and receivables comprise cash and cash equivalents, and trade and other receivables.  <b>Cash and cash equivalents</b>  Cash and cash equivalents comprise cash balances.  <b>Trade and other receivables</b>  Trade receivables and other assets are measured at initial recognition at fair value. Subsequently, appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.</p>	<p>13</p>

Solomon Islands Electricity Authority  
Notes to the financial statements  
For the year ended 31 December 2018

1. Reporting entity

Solomon Islands Electricity Authority (the "Authority") is a state owned enterprise established under the Solomon Islands Electricity Authority Act 2017. The address of the Authority's registered office and principal place of business is Ransadi Complex, East Honiara, Solomon Islands. The principal activity of the Authority during the year was the generation and distribution of electricity to the Solomon Islands.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board of Directors on 21.01.2019.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except where stated. The accounting policies have been consistently applied by the Authority and are consistent with those used in the previous year. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(c) Functional and presentation currency

The financial statements are presented in Solomon Island dollars ("SBD"), which is the Authority's functional and presentation currency.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these results.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 10 - Property, plant and equipment
- Note 12 - Inventories
- Note 13 - Trade and other receivables
- Note 18 - Contingent liabilities

ADMINISTRATION:

The Administration Department continued providing general administrative functions and development of our human resources to ensure the efficient operations of SIEA.

An efficient operation is achieved from having a competent workforce. A recruitment policy and selection process is in place to ensure that only the best people are hired for the job.

SIEA places a great deal of importance on the upgrading and the continuous development of its staffs' skills and knowledge. This is done through ongoing training plans.

All staff, both in Honiara and the Outstations, underwent a Customer Skills training course held at the Head Office training room. A Microsoft Excel and Project Management course was also held for Supervisors, while a Lineman course is being arranged.

Nine staff underwent the APTC (Australia Pacific Technical College) Training in Electrical and Mechanical Studies. This was fully funded by APTC.

One staff member underwent full time studies overseas at the UNITECH (University of Technology) in PNG in mechanical engineering. This training was sponsored by the Solomon Islands Government.

Five students did full time training at the Solomon Islands College of Higher Education in mechanical, electrical, surveying and finance. Five other staff did part times studies at the Solomon Islands College of Higher Education and the local university center USP.

On local external training, two members of the management team attended a Change Management workshop while the two Audit staff attended a four day course on Fraud.

Overseas training included: one officer attended a short course on Installation Method of Small-scale Hydro Power Generation and Wind Power Generation in Rural Area in Japan. Another officer attended a three months training on Basic Power Protection at the QUT in Brisbane. Two supervisors attended the PPA Conference in Fiji and the GIS supervisor attended the GIS workshop in Fiji.

Apart from training our own staff, SIEA also assists in providing training for national students doing studies locally and overseas in terms of providing them a workplace to enable them complete their required job attachment programs as part of their studies. Four UPNG and USP students underwent 12 weeks of work attachment in both electrical and mechanical fields as part of the university program requirement.

Four internal appointments were made during the year for the positions of Manager Finance, Superintendent

(Ag) for Auki, Lineman for Gizo, and Officer in Charge (Ag) for Tulagi, while four recruitments were made for the positions of General Manager, Board Secretary, Fixed Asset Officer and Operator for Gizo,

As part of the restructuring and outsourcing exercise, 24 security officers were made redundant. Ten staff retired at the age of 50 and one resigned. By the end of the year, SIEA had a total of 199 staff.

2010 was a good year in terms of successful negotiations on the outstanding log of claims between Management and the Staff Association. Nine claims were successfully negotiated and implemented, a win-win situation for both parties. Both parties understand that the question of affordability for the Authority is always the paramount factor considered in these negotiations. The Staff Association Executive has worked well with the Management team.

Valuation of all land and buildings in Honiara and Provincial Outstations was completed this year. Normal repair and maintenance of staff houses and office building continued, with the project to upgrade all office toilets completed for the Ranadi Office. Surveying of the new Power Station site at Gizo, subdivisions of the Henderson, Panatina and Tasahe land and indent survey at Koloale are still in progress. Renovation of the Auki customer service area and the Ranadi Head Office enquiries and cashier’s office was completed. A new cashier outlet at the Hyndai Mall was also opened this year.

Comprehensive motor vehicle cover was finalized this year.

With the setting up of new Public Relations section, SIEA is ensuring that we communicate with our customers and to the public.

Solomon Islands Electricity Authority  
Statement of cash flows  
For the year ended 31 December 2010

	Note	2010 SBD	2009 SBD
Operating activities			
Cash received from customers		193,140,008	263,436,484
Cash paid to suppliers and employees		(175,697,853)	(251,218,578)
Net cash provided by operating activities		17,442,156	12,217,906
Investing activities			
Payments for property, plant and equipment		(8,253,185)	(8,289,123)
Net cash used in investing activities		(8,253,185)	(8,289,123)
Financing activities			
Repayment of borrowings		-	(3,347,473)
Net cash used in financing activities		-	(3,347,473)
Net increase in cash and cash equivalents		9,188,971	471,310
Cash and cash equivalents at the beginning of the year		3,720,311	3,249,001
Cash and cash equivalents at 31 December	11	12,909,282	3,720,311

The above statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 7 to 23.

Solomon Islands Electricity Authority  
Statement of financial position  
As at 31 December 2010

Assets	Note	2010 SIBD	2009 SIBD
<b>Non-current assets</b>			
Property, plant and equipment	10	161,744,048	123,328,216
<b>Total non-current assets</b>		<u>161,744,048</u>	<u>123,328,216</u>
<b>Current assets</b>			
Cash and cash equivalents	11	12,900,292	3,720,311
Inventories	12	11,609,628	13,521,691
Trade and other receivables	13	51,483,896	33,955,259
<b>Total current assets</b>		<u>76,003,816</u>	<u>51,197,261</u>
<b>Total assets</b>		<u>237,754,864</u>	<u>176,525,477</u>
<b>Equity</b>			
Contributed capital	14	248,396,688	248,903,178
Reserves		38,430,246	34,507,821
Accumulated losses		(134,588,342)	(188,493,279)
<b>Total equity</b>		<u>153,148,592</u>	<u>172,943,712</u>
<b>Non-current liabilities</b>			
Deferred income	15	34,138,368	33,644,339
Trade and other payables	16	12,997,412	8,049,623
Employee benefits		769,764	1,882,896
<b>Total non-current liabilities</b>		<u>47,905,544</u>	<u>43,576,858</u>
<b>Current liabilities</b>			
Trade and other payables	16	36,698,791	17,903,907
<b>Total current liabilities</b>		<u>36,698,791</u>	<u>17,903,907</u>
<b>Total liabilities</b>		<u>84,604,335</u>	<u>61,579,765</u>
<b>Total equity and liabilities</b>		<u>237,754,864</u>	<u>176,525,477</u>

Signed for and on behalf of the Board of Directors

  
Director

  
Director

The above statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 7 to 23.

*“The Administration Department continued to provide general administrative functions and development of our human resources to ensure the efficient operations of the Authority is achieved both for staff within our offices and outside working in the field” says Mrs. Jan Sanga, Manager Administration.*





“The team building exercises helped us to better work together at SIEA” says Mr. Fredrick Wale, (leader for ‘team blue’).

Customer Skills Training

### Solomon Islands Electricity Authority Statement of changes in equity For the year ended 31 December 2010

	Contributed capital SBD	Asset revaluation reserves SBD	Accumulated losses SBD	Total SBD
Balance at 1 January 2009	246,903,170	54,507,821	(179,796,672)	121,614,319
Total comprehensive loss for the year Net loss for the year	-	-	(8,698,607)	(8,698,607)
Reported balance at 31 December 2009	246,903,170	54,507,821	(188,495,279)	112,915,712
Adjustment for prior period errors[] (refer note 15)	-	-	102,219,173	102,219,173
Restated balance at 1 January 2010	246,903,170	54,507,821	(86,276,106)	215,134,885
Total comprehensive loss for the year Net loss for the year	-	-	(69,917,236)	(69,917,236)
Other comprehensive income	-	3,822,425	-	3,822,425
Transaction with owners of the Authority Directly recognised in equity Grant received during the year	3,978,518	-	-	3,978,518
Balance at 31 December 2010	250,911,688	58,430,246	(156,193,342)	153,148,592

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 7 to 23.

## FINANCIAL STATEMENTS:

### Solomon Islands Electricity Authority Statement of comprehensive income For the year ended 31 December 2010

	Note	2010 SBD	2009 SBD
Electricity sales		258,871,110	243,896,857
Grant income		2,505,234	2,505,234
Other operating income		<u>1,381,943</u>	<u>-</u>
		262,758,287	246,402,191
<b>Less expenses</b>			
Generation	5	(217,335,236)	(193,207,826)
Distribution	6	(4,285,140)	(7,007,565)
Workshops		(5,137,991)	(4,094,932)
Administration	7	(35,310,276)	(14,414,660)
Doubtful debts expense		(37,315,936)	(32,562,739)
Inventory write-off during the year		(7,578,926)	-
Impairment loss - property, plant and equipment		(738,353)	-
Other expenses		<u>(5,183,213)</u>	<u>(3,291,363)</u>
<b>Loss from operations</b>		<b>(70,033,274)</b>	<b>(8,598,314)</b>
Finance income	8	138,838	-
Finance cost	8	-	(102,283)
<b>Net loss for the year</b>		<b>(69,894,436)</b>	<b>(8,698,607)</b>
<b>Other comprehensive income</b>			
Revaluation surplus		3,922,425	-
<b>Total comprehensive loss for the year</b>		<b>(65,972,011)</b>	<b>(8,698,607)</b>

The above statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 7 to 23.

### Solomon Islands Office of the Auditor-General



Office of the Auditor-General  
PO Box G18  
Honiara  
Solomon Islands

Telephone: + (677) 28695

Facsimile: + (677) 22006

Mr Norman Nichols  
General Manager  
Solomon Islands Electricity Authority  
PO 6  
HONIARA  
SOLOMON ISLANDS

Your Ref.:

Our Ref.: 10 - A - 1150

Date: 23rd April 2012

Dear Norman,

#### Independent Auditor's Report of the Solomon Islands Electricity Authority for the year ended 31 December 2010

I am pleased to advise you that I have today submitted to your Chairman a copy of my Independent Auditors Report on the financial statements of the Solomon Islands Electricity Authority for the year ended 31 December 2010. I have also forwarded a copy to the Minister for Finance pursuant to section 47(3) of the Public Finance and Audit Act [Cap. 120], for the purposes stipulated in subsection 4.

Yours sincerely,

Edward Ronia  
Auditor-General



**Solomon Islands Electricity Authority**

**Financial Statements**

**For year ended**

**31 December 2010**

**Emphasis of matter**

*Lack of compliance with Public Finance and Audit Act and State Owned Enterprises Act*

Without qualifying my opinion, I draw your attention to the fact that the Authority has not complied with the requirements of the *Public Finance and Audit Act* and the *State Owned Enterprises Act* which requires the audited financial statements for all state owned enterprises to be placed before the Minister responsible within three months of the financial year end.



Edward Ronia  
Auditor-General

23 April 2012

Office of the Auditor-General  
Solomon Islands

### 3) *Inventories*

- a) I was unable to satisfy myself on the existence of the inventory items counted during year-end stock take in the absence of proper inventory records.
- b) I was unable to verify the completeness and accuracy of inventory balances due to the lack of proper inventory records.

As a result I am unable to confirm or verify by alternative means the carrying amount of the inventory balances included in the financial statements as at 31 December 2010. Accordingly, I am not able to determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

### 4) *Trade, other receivables and electricity sales*

- a) The completeness, existence, accuracy and valuation of trade receivable balances could not be verified as the aged debtors listing at year end did not include debtors transferred to the cash power system.
- b) The aged debtor balances included debtor balances that do not exist in the kilo-watt billing system.
- c) The sales in the general ledger contained incorrect debit entries.
- d) Electricity sales in the general ledger are not reconciled to the Authority's billing system.

As a result I am unable to confirm or verify by alternative means the carrying amount of the trade and other receivable balances included in the financial statements as at 31 December 2010 and electricity sales recorded for the year then ended. Accordingly, I am not able to determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

### 5) *Trade and other payables, employee benefits and expenses*

- a) The completeness, existence and accuracy of trade and other payables and employee benefits could not be verified in the absence of supporting documentation for additions to consumer capital contributions and expenses incurred during the year.

As a result I am unable to confirm or verify by alternative means the carrying amount of trade and other payables and employee benefits included in the financial statements as at 31 December 2010 and expenses recorded for the year then ended. Accordingly, I am not able to determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

### **Disclaimer of Opinion**

Due to the significance of the matters described in the Basis for disclaimer of opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

## Solomon Islands Electricity Authority For the year ended 31 December 2010

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## Solomon Islands Electricity Authority

### Director's report

The directors present their report together with the financial statements of the Authority for the year ended 31 December 2010 and the auditor's report thereon.

### Directors

The directors in office at the date of this report are:-

Alex Douglas  
Anthony Makabo  
David Lounie  
Joses Tafua  
Mama Pasa  
Nanette Turua  
Stephen Paga

### 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 the Authority as at 31 December 2010 consisting of the statements of financial position, profit and loss, changes in equity and statement of cash flows of the Authority for the year then ended.

### Principal activity

The principal activity of the Authority during the year was generation and distribution of electricity to the Solomon Islands.

### Results

The net loss amounted to \$69,917,236 (2009: Net loss \$8,698,600)

### Dividends

The directors recommended that no amount be paid by way of dividends.

Dated at Honiara, Solomon Islands this 24<sup>th</sup> day of January 2011.

Signed in accordance with a resolution of the directors



Chairman



Director

Solomon Islands Office  
of the Auditor-General



## INDEPENDENT AUDITOR'S REPORT

### To the Board of the Solomon Islands Electricity Authority

I was engaged to audit the accompanying financial statements of the Solomon Islands Electricity Authority ("the Authority"), which comprise the balance sheet as at 31 December 2010, and the profit and loss statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors and management's responsibility for the financial statements

The Board of Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

My responsibility is to express an opinion on the financial statements based upon my audit. Because of the nature discussed in the Basis for Disclaimer of Auditor's Opinion paragraph, I was not able to complete an audit in accordance with International Standards on Auditing Standards.

### Basis for disclaimer of opinion

- 1) *Inadequacy of internal control and destruction of records*
  - a) I was unable to assess the internal control environment of the Authority for the financial year. The lack of oversight by management over the financial reporting process and lack of reconciliations and monitoring of transactions have rendered the internal control environment inadequate to ensure the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 2) *Property, plant and equipment*
  - a) The completeness, existence, accuracy and valuation of balances related to property, plant and equipment could not be verified in the absence of a fixed asset register.
  - b) I could not obtain documentary evidence of additions and disposals during the year and ownership title to property of the Authority.
  - c) The Authority has not performed an impairment assessment of its property, plant and equipment as at 31 December 2010.

As a result I am unable to confirm or verify by alternative means the carrying amount of property, plant and equipment balances included in the financial statements as at 31 December 2010. Accordingly, I am not able to determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.