Solomon Islands Electricity Authority

Annual Report 2013

Powering the Nation

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*

Contents

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Email: enquiry@siea.com.sb
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LETTER TO THE MINISTER

31st March, 2014

The Honourable Moses Garu
Minister of Mines, Energy and Rural Electrification
P.O. Box G37,
Honiara,
Solomon Islands.

Dear Sir,

Solomon Islands Electricity Authority
Annual Report 2013

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

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

On behalf of SIEA, I take this opportunity to thank you for your on-going understanding and cooperation, and look forward to your continuing support.
Yours faithfully,

Adrian Wickham
Chairman

The Lungga Power Station generates electricity for all of Honiara.

2013 Highlights

- The 2012 Annual Report, with unqualified audited accounts, completed on time – the first SOE in the Solomon Islands to achieve this important goal.
- Lineman's Training Courses commence (for the first time in over 10 years!).
- All Linemen are fully equipped with appropriate tools and safety equipment.
- Two 1.5 MW generators are commissioned in Honiara Station (the first investment in generation by SIEA in over 20 years!).
- SIEA's headquarters building at Ranadi is refurbished.
- Two large construction trucks with Hi-ab Winches and Augers arrive and are quickly put to work.
- A new Integrated Business Management System (IBMS) is purchased
- A new Chief Financial Officer, Phill O'Reilly, commences.
- Two new generators are installed in both Lata and Malu'u.
- Under the SISEP Project contracts for a new 11KV Switchboard in Honiara Station and a new 33KV Cable between Lungga and Ranadi are let to contractors.
- The penetration of Cash Power pre-paid meters exceeds 80% of SIEA's customer base.
- Tenders called for a new power station at Lungga with four 2.5 MW generators.
- Tenders called for the construction of a new workshop at Lungga.
- Defensive Driving Courses are introduced for SIEA staff
- Fleet Policy Manual developed with input from staff and implemented with awareness training.
- Vehicle Monitoring System installed for 23 operational vehicles to improve efficiencies.

Plans for 2014

- A new workshop will be constructed at Lungga Power Station.
- Contracts for the new Power Station with four 2.5 MW generators at Lungga will be awarded.
- Additional funding is obtained from the World Bank, ADB and commercial banks for SIEA's major capital works programme.
- New power stations are built at Malu'u, Kirakira, Lata and Gizo, with station upgrades at Noro and Munda.
- Protection relays the Honiara Network are reset using the new Omnicron test equipment.
- SIEA opens Honiara's first 'drive thru' for Cash Power top ups, with extended hours.
- Cash Power 'top ups' through phone banking is introduced.
- Several new generators with automatic controls are installed in the Outstations.
- Stages II, III and IV of the Lineman's Training Courses completed.
- All staff undertake Defensive Driving Courses.
- Installing of the new 33KV UG cable between Lungga and the Ranadi Substation by Pernix, a project under SISEP.
- Installing of the new 11KV Switchgears at the Honiara Power Station by Northpower, a project under SISEP.
- Development of the Distribution Networks at Tulagi, Noro and Gizo.
- Completion of the GPPOL HV line extension.
- Power Station Operator Training for all Operators.

About Solomon Islands Electricity Authority

Who we are

Solomon Islands Electricity Authority (SIEA) is a State Owned Enterprise.

Our objectives

Under Section 4 of the State Owned Enterprises Act, the principal objective of the Company is 'operate as a successful business, and to this end, be:

- As profitable and efficient as comparable businesses that are not owned by the Crown.
- A good employer.
- An organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates.

To meet these objectives, SIEA works 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

SIEA'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:

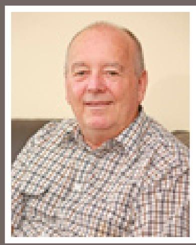
- Be responsible for the registration of Electrical Contractors.
- Ensure that industries and contractors comply with the Electricity Act and the AS/NZS Wiring Standards, by inspecting all electrical installations before connecting to SIEA mains.
- Be responsible for the licensing of standby generators,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

Unloading of electricity poles at the Head Office.

MEMBERS
of the Board

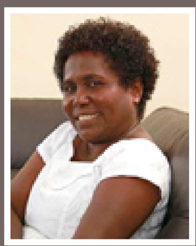
Adrian Wickham
Chairman

Henry Tobani
Director



David Laurie
External Director

Henry Kapu
Director



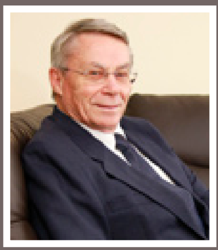
Nanette Tutua
Director

Douglas Alex
Director

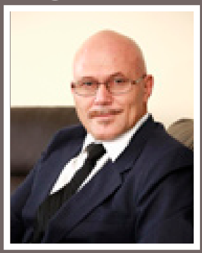
Sebastian Ilala
Director

Harry Zoleveke
Director

EXECUTIVE
Management



Norman Nicholls
General Manager



Phill O'Reilly
Chief Financial Officer

Martin Sam
Chief Engineer

Kitione Malugulevu
Regulatory Manager

Dadily Posala
Manager Generation

Mathew Korinihona
Manager Distribution

Levan Respioh
Manager Corporate Services

John Kofela
Manager Outstations

Gordon Denty
Manager IT

Jan Sanga
Manager Customer Services

Barnabas Upwe
Legal Officer

Nicholas West
Manager Capital Works Projects

Robin Simpson
OHS/Training Consultant

CHAIRMAN'S LETTER

2013 has been a most significant year for SIEA: for the first time in over 20 years we have embarked on a major Capital Investment Programme. It is very necessary and overdue, as much of our plant and equipment is well past the end of its life.

Our first priority has been to provide more reliable power in Honiara, consequently our first major investment was in two new 1.5 MW generators for Honiara Station. They were commissioned in December and will provide support for the peak load in the city during business hours. The generators they replace were over 40 years old; well beyond their recommended life.

At the same time we have been replacing the radiators for the main generators at Lungga Power Station, as the existing ones had become inefficient due to calcium deposits. This will enable them to generate additional power; one unit alone increased its output by 1 MW with a new radiator. Once all the new radiators are fitted a further 2-3 MW of output should be achieved. This will enable us to provide reliable power to Honiara throughout 2014.

However this is not enough, so we have plans to build a new power station at Lungga. This will be built to accommodate up to six 2.5 MW generators, although only four will be installed initially. This new station should be in operation by early 2015 and it will ensure that Honiara has reliable power for the foreseeable future.

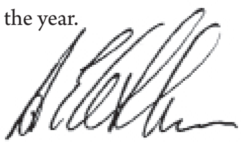
At the same time our Outstations are also in need of upgrading; some work has been done with new generators in Malu'u and Lata. A major purchase of generators, plus new stations in Kirakira, Malu'u and Lata will ensure that the outer areas have the same level of service as Honiara.

We are also very conscious of the high cost of power due to our all diesel generation. To ensure that we are charging an equitable tariff, a Tariff Review will be carried out next year. We are also hopeful that new renewable generation from the Tina River Hydro Project and the Savo Geothermal Project will enable us to offer lower tariffs in the future.

SIEA is making good progress, but there is much more to be done to ensure that all Solomon Islanders have access to reliable electricity.

We are fortunate to have the continued interest and input from the World Bank through SISEP, the Solomon Islands Sustainable Energy Project, and also from the Asian Development Bank through their investigations into renewable energy.

I would also like to thank the Government, and my colleagues on the Board for the admirable support they have given me, and the Management Team at SIEA, throughout the year.



Adrian Wickham
Chairman

Checking the Tulagi Outstation generator.

GENERAL MANAGER'S LETTER

Over the past year the pace of change in SIEA has accelerated with the commencement of our major capital programme. While some of these changes, such as the new generators in Honiara and the large new operational trucks are seen and obvious, many changes have also been taking place behind the scenes, but they are none-the-less changes that will improve our operations and service to customers.

Most notable amongst these changes is the introduction of a new computer system – our Integrated Business Management System (IBMS) from Able Soft in the USA. This combines a Customer Relationship Management (CRM) System with a modern Finance and Billing system to ensure that we can provide better and more timely services to our customers, as well as up-to-date financial information to improve the way we manage our business.

It is also pleasing to see the upgrading of our Head Office at Ranadi. The interior of the building was in poor condition, unsafe, and it did not comply with occupational health and safety standards. We are sure that the improved environment for customers and staff will be greatly appreciated.

An on-going challenge has been the provision of more accessible 'top ups' for our Cash Power customers. Now that over 80% of our customers use this service, it is important that we improve access to this service. We have tried to work with mobile phone operators, but that has not been successful. We are now endeavouring to set up the service through the newly introduced 'phone banking'. We are also opening a 'drive through' Top Up window at our Ranadi office in early 2014 which will be open for extended hours.

We are also very conscious of the need to extend the reach of our network so that we can provide electricity to more of the population. This will take place as part of our capital investment programme, not only in Honiara, but also in all of the outstations progressively. The Government would like all people in the Solomon Islands to have access to electricity by 2050. This is an admirable, but difficult, goal. However, SIEA will strive to help this target be achieved.

SIEA is developing a very good team to carry the organisation forward, which is essential if we are to achieve the outcomes that we all want. The recruitment of some skills, such as engineering and finance, is very difficult but we are taking in some very promising graduates who will ensure that the future development of SIEA is in good hands.

Norman Nicholls
General Manager

Solomon Islands Electricity Authority Engineering Highlights for 2013

Monitoring the electricity supply to Honiara city.

Overview

Keeping the lights on in Honiara continued to be a challenge in 2013 mainly due to a very small reserve margin in the available generation capacity from the existing generators. The situation was particularly critical when any of the large 4.2MW generators were taken off for major overhauls. The delays in completing the overhauls of L7 and L8 (4.2MW) Wartsila Generators resulted in extensive scheduled outages in Honiara.

The situation however, significantly improved when the two 1.5MW Caterpillar generators were installed and commissioned at the Honiara Power Station in mid-December 2013. The additional 3.0MW capacity enabled us to meet the demand in Honiara despite the fact that the two peak load machines, L5 (1.5MW) and L6 (2.8MW) Mirlees, had mechanical faults.

The 33KV underground cable between Lungga and the Ranadi substation was in service for most of the year compared to the previous year, mainly due to the replacements of most of the line joints.

Line faults were mainly because of fallen trees, broken insulators and conductors, and vehicles crashing into power poles along the roads.

Lineman's training was carried out for the first time in over 10 years for the linemen, meter technicians and the Outstations Officers In Charge. The training focused mainly on safety and line construction.

Two important major network capital projects were awarded to contractors: a new set of 11KV switchgear at the Honiara Power Station; and a new 33KV underground cable (about 4km) to connect the Ranadi Substation to the Lungga Power Station. The projects are under the Solomon Islands Sustainable Energy Project (SISEP) funded by the World Bank.

Other major capital works projects put out for tender were for the development of a new workshop and new power station at Lungga. The project is for the construction of a new powerhouse, the installation of four 2.5MW generators and two 10/12MVA 11/33KV transformers.

Generation

Major overhauls of L7 and L8 Wartsila and L10 Niigata generators were carried out during the year and, as these are base load generators rated at 4.2MW each, Honiara had to be put on load shedding during the periods when the maintenance was carried out.

The installation of a new cooling radiator for the L8 Wartsila generator also took place, which increased the output of the generator from 3.0MW to 3.9MW, a significant gain in output.

Other activities were the installation and commissioning of two 1.5MW Caterpillar generators at the Honiara Power Station in December. The new generators provide additional capacity for peak demand and when carrying out maintenance on any of the base load machines.

Besides attending to faults and breakdowns on the mechanical and electrical plants, a scheduled 1,000 hours of maintenance was also carried out on the generators as and when it was due.

Distribution

The Operation and Construction sections of the Distribution Department undertook a number of major activities, including the construction of power lines and the installation of transformers for Solomon Water's water supply improvements in Honiara and Auki. Four High Voltage extensions and transformers were installed for these projects.

Another major activity was the extension of the High Voltage networks in Auki, in the Malaita Province to a new police housing area at Aimela, which is about two kilometres outside of the town.

The GPPOL High Voltage extension could not be completed during the year due to a land issue. However, the matter was resolved just before the end of the year and the line will be completed in early 2014.

The GIS section completed data collection for the Honiara, Tulagi and Noro networks. Other Outstations were also started and good progress is being made. The GIS section also provided support services for the development of the new powerhouse and drainage system at Lungga.

The Distribution Construction Section completed 359 new service connections in 2013. The Operation and Maintenance Section also attended to faults in the distribution network as and when they occurred. Planned maintenance was also carried out in parts of the network, including distribution transformers and switching equipment.

Outstations

Compared to 2009 and 2010 power generation at the Outstations was generally stable in 2012 and 2013 with no major outages. This is as a result of new generators being installed at Gizo, Auki, Lata and Tulagi in 2011 and 2012 and at Kirakira and Malu'u in 2013.

The N2 generator at Noro was recommissioned in the third quarter of 2013 after major repairs. The 11KV bus system, the High Voltage Room and switchgear at Noro were also refurbished. With the recommissioning of the N2 generator, SIEA resumed supplying power to Noro and Munda. However, Soltuna was still relied upon for providing power during breakdowns and when maintenance was carried out on the generator.

Major overhauls were also carried out on the generators at Lata, Tulagi and Buala and scheduled 250 hours service on all generators was carried out, as and when it was due.

Power Purchase Agreement

At Noro, standby power is supplied under a Power Purchase Agreement (PPA) between SIEA and Soltuna, a fishing company based at Noro in the Western Province.

Renewable Energy

The Coconut Oil (CNO) trial project at Auki, which was funded by the Asian Development Bank (ADB), was completed in 2012 with maximum blend (diesel/CNO) of 40%. SIEA resumed operation of the generator using CNO with a 50% blend in the third quarter of 2013. The operation has presented no mechanical issues, however the contracted supplier of CNO had some problems maintaining the required quantity of CNO each week.

A Feasibility Study on a proposed 1.5MW solar farm to be installed near Lungga Power Station commenced in 2013. The final report is expected in early 2014. The solar installation would connect to the grid at Lungga Power Station and provide about 1.5MW into the grid during peak hours.

1. Teamwork for productivity. **2.** Attention to detail for smooth operation.
3. Protective clothing and safe practice are essential. **4.** Stores and Logistics track materials for efficiency.
5. Monitoring the Honiara Standby Station.

Capital Works Developments

Contracts for the design, procurement, installation and commission of a new 33KV underground cable to connect the Ranadi Substation to Lungga Power Station and the new 11KV Switchgear at the Honiara Power Station were let to the two successful bidders.

The underground cable project will improve the reliability and upgrade the capacity of the 33KV circuit between Lungga and the Ranadi Substation.

The 11KV Switchgear project will improve the reliability and give added control and monitoring of this switchgear for the distribution of power in Honiara.

Both projects are funded by the World Bank under the Solomon Islands Sustainable Energy Project (SISEP).

Other major projects that were put out for tender were the Lungga Power Station Generation and the Lungga Workshop Developments. Tenders for the projects were called towards the end of 2013 and it is expected that contracts will be awarded during the first quarter of 2014.

The generation development project is to construct a new powerhouse and to install four 2.5MW new generators and 2x10/12MVA 11/33KV transmission transformers.

The workshop project is to construct a new workshop at Lungga Power Station so that the existing workshop can be demolished to make space for the new powerhouse.

Both projects are funded by SIEA through commercial bank loans and internal revenues.

Power System Reliability

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

- **The System Average Interruption Duration Index (SAIDI)**
  This is a measure of the average total length of time (in minutes) that a customer is without power over a one year period. For Honiara, this was 486 minutes, an improvement over the 619 minutes in 2012.

- **The System Average Interruption Frequency Index (SAIFI)**
  This is a measure of the average number of times that the system is interrupted in a year. In Honiara this was eight times compared to 12.9 times in 2012.

- **The Customer Average Interruption Duration Index (CAIDI)**
  This is a measure of the average time (minutes) that a customer is without power at each interruption. For Honiara this was 58 minutes per interruption. This is an improvement on the average time of 103 minutes in 2012.

Reliability and Efficiency

To improve the reliability and efficiency of the system, the two 1.5MW generators were installed and commissioned in December 2013 at the Honiara Power Station. Tenders for the additional four 2.5MW generators for Lungga Power Station were issued towards the end of the year. It is expected that these new generators will be installed and commissioned by early 2015.

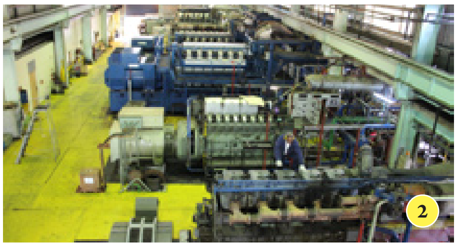
The implementation of effective maintenance programmes for both the generation and network infrastructures, and the use of appropriate technologies and equipment in parts of the transmission and distribution system, have contributed to the improvements in reliability and efficiency of the generation and distribution systems.

Energy Produced

SIEA produced a total of 81.1Gwh in 2013 compared with 84.03Gwh produced in 2012. Energy production was affected by the load shedding during the first and fourth quarters of the year. This was mainly due to the delay in the completion of the overhauls of the L7 and L8 Wartsila generators. Of the energy produced in 2013, 73.0 Gwh (90.0%) was for Honiara and 8.1 Gwh (10.0%) for the Outstations.

Maximum Demand

The maximum demand for electricity in 2013 for Honiara peaked at 13,620 Kilowatts, compared to14,240 Kilowatts in 2012. The decrease in the demand was due to large users of electricity, such as the Pacific Casino Hotel and the King Solomon Hotel, being licensed to generate their own power. However, it is expected that the demand will increase when the new buildings currently under construction in Honiara are connected, and also when power supply reliability is improved.



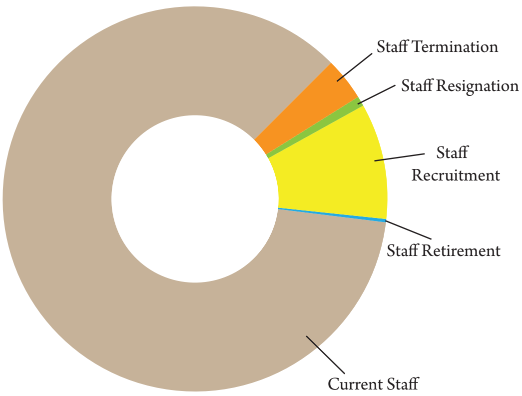
1. Engineers check the server regularly.
2. Generators at Lungga.
3. Mechanical fitting at Lungga Power Station.
4. Daily briefing of the Meter Technician Team.

Corporate Services

The Corporate Services Department of SIEA provides support services to other departments in the organisation through its Human Resource, Training, Safety Programmes, Property Management and Fleet Services.

Human Resources

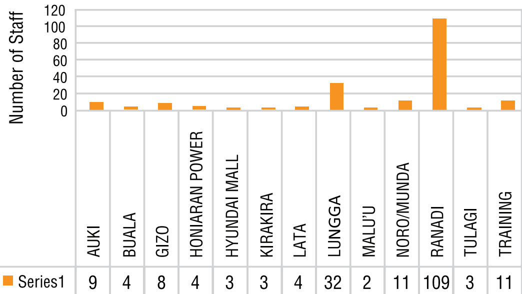
Total number of staff employed by SIEA the end of December 2013 was 204 compared to 193 at the end of 2012, an increase of 5.7%. This is because of a major increase in project work and expansion to give wider coverage both in Honiara and the Outstations.



Total Employment figures

Staff by location

The majority of staff, 109, are employed at the Ranadi Headquarters, the central office for Finance, Corporate Services, Customer Services and senior engineers. Lungga Power Station had the second highest number with a total of 32 staff. A number of staff have been awarded scholarships for training at tertiary institutions; there were eight staff on scholarships in 2012 and 11 in 2013.



Staff by location

Training and Development

SIEA places great importance on having skilled and appropriately trained staff. Approximately SBD$3,802,000 was spent on both in-house and external training. Attendance at conferences and workshops to upgrade staff in the support services and engineering was also a priority.

Occupational Health & Safety

In 2013, SIEA employed an OHS/Training Manager to facilitate Occupational Health & Safety improvements where all employees have the necessary tools, methods and personal attributes to actively care for their own safety and the safety of their co-workers.

A thorough review and rollout of a new Fleet Policy manual was completed with the focus to assist SIEA's drivers perform their driving safely and professionally in order to protect themselves, other employees and members of the public from risks arising out of fleet operations.

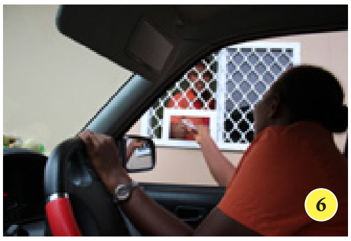
Land Transport Authority of Fiji instructors were engaged to carry out Defensive Driver and Hands on Wheel training with authorised SIEA drivers, and this will continue until all SIEA drivers have undergone this training.

A vehicle monitoring system has been installed in 23 operational vehicles and systematic reporting and follow up is ongoing to improve the efficiency of our fleet operations.

A Contractor OHS Management System was developed with the relevant tools to ensure SIEA's Contractors meet minimum legislative requirements and comply with SIEA's OHS policies and standards, now that SIEA is undertaking a number of major projects.

OHS Awareness Training was carried out for all employees and Inductions were conducted with new employees. Module 1 of Electric Power Lineman was completed by 43 participants. A further three modules will be completed in 2014.

Two medical treatment injuries were recorded in 2013 with no Lost Days incurred.



1. Repairing an LV line.
2. Installing a CashPower meter.
3. Improving customers' on usage of CashPower meter.
4. CashPower is gaining popularity.
5. Safety equipment is checked each day.
6. Drive through payment for customers' convenience.

Property Management

A staff housing renovation and repair programme continues from 2012 for both Honiara and Outstation staff housing at a cost of approximately **SBD $10,114,000.** A total of 107 residence houses are owned by SIEA in Honiara and the Outstations.
It is planned to have all SIEA properties registered by end of 2014.

SIEA Fleets

2013 was a challenging year for the Fleet Section as the number of vehicles has increased and a number have been replaced.

A total of 11 vehicles were disposed by tender for **SBD $355,000.**

A total of 27 new vehicles were purchased, including replacements for Outstations.

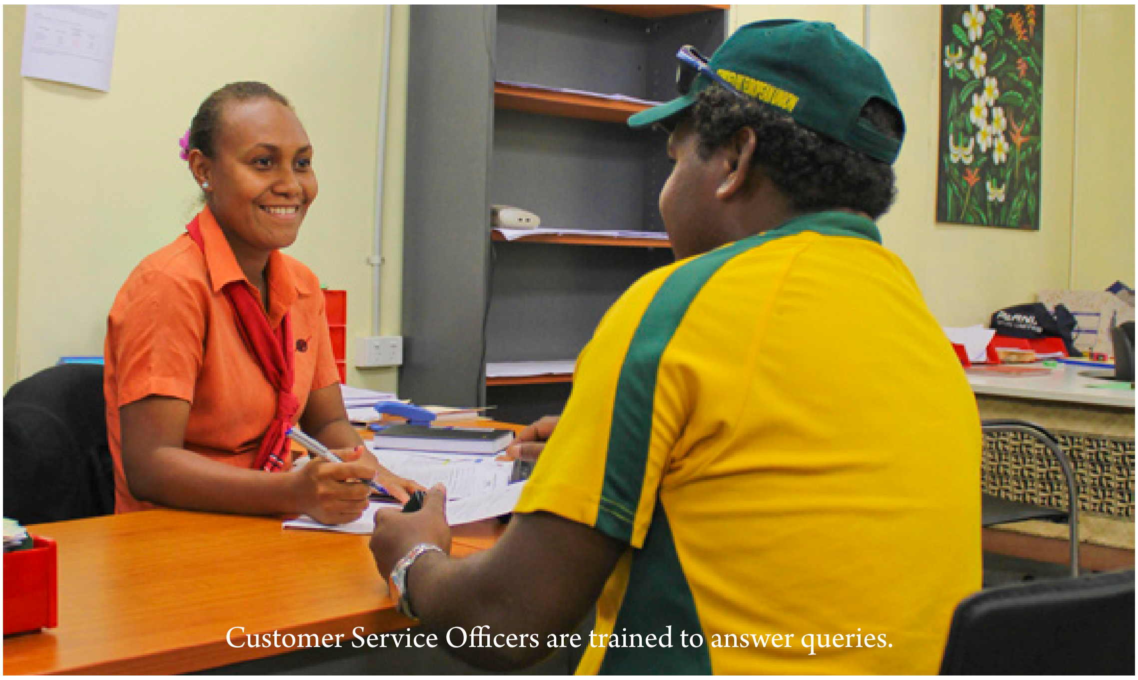
A vehicle monitoring system was installed in 23 operational vehicles to improve the management and efficiency of their use. Monthly usage reports are provided to management and quarterly reports will be provided to the Board in 2014.

By the end of December 2013 the total fleet was at 78 vehicles with a total value of **SBD $16,794,854.00.**

The Fleet Services objective is to ensure that all vehicle servicing, vehicle registration, third party insurance, and comprehensive motor vehicle insurance are implemented and properly managed.

Linesmen pulling the cable through the poles.

Customer Services Department



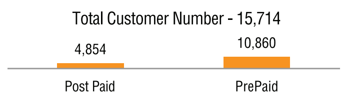
Customer Service Officers are trained to answer queries.

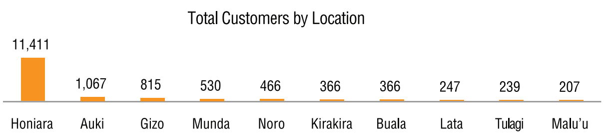
The Customer Services Department carries out the following functions: metering; meter reading; disconnections; meter faults and replacement; cashiering; applications for supply; billing and enquiries; debt recovery, and public relations. There are two customer service outlets in Honiara, one in Headquarters at Ranadi and another in the Hyundai Mall, and one in each of the nine provincial outlets; Auki, Gizo, Munda, Noro, Kirakira, Buala, Lata, Tulagi and Malu'u.

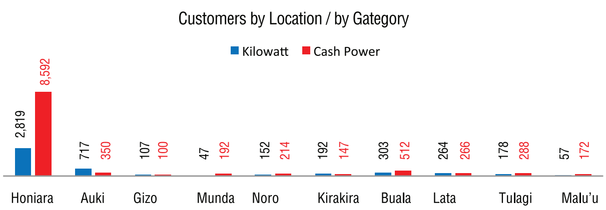
By the end of 2013, the total number of customers, for post-paid (kilowatt) and prepaid (Cash Power), was 15,714. Customers on post-pay totalled 4,854, while 10,860 customers were on prepay.

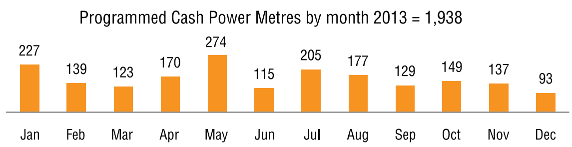
The customers are spread across Honiara and the nine provincial outstations. Honiara had the highest number of customers, followed by the two bigger outstations, Auki and Gizo.

Honiara, Tulagi, Kirakira, Gizo, Munda, Noro and Lata have more Cash Power than kilowatt customers. This is due to the process of transferring domestic kilowatt customers to Cash Power. New domestic customers are put on Cash Power and the demand for Cash Power is increasing on a monthly basis.









A total of 1,938 Cash Power meters were programmed for installation in 2013. 944 were for replacement from kilowatt to Cash Power; 366 to replace faulty Cash Power meters; 357 for new supplies; 253 for separations (where a new supply is provided in the same premises), and 18 to replace meters that had been removed.

Despite the lack of an integrated customer management system and local area network coverage to the rest of the provincial outstations, significant progress was made in sorting out inherited 'old' accounts, and developing and implementing new policies and procedures. By the end of the year, two of the remaining outstations, Buala and Munda were connected to the billing system. The last remaining outstation to be connected, Malu'u, is pending communication coverage to the area.

Other highlights for the department included the successful contract for a new Integrated Business Management System (IBMS) which was awarded to a company from the US called Able-Soft. Training on the system was carried out at the end of the year, with billing on the new system to commence in January 2014.

A study on SMART Metering was also carried out in 2013. SIEA is planning to start installing SMART meters next year. This system will enable meters to be read and controlled remotely.

Negotiations have been ongoing for the introduction of mobile 'top-ups' for Cash Power, unfortunately with little success. It is hoped that the new 'mobile banking' system will be able to provide this facility during 2014.

During the refurbishment of the Head Office building in Ranadi, Customer Services cashiering and customer enquiries are being temporarily accommodated as from June in temporary buildings where the compound garage used to be located. The refurbishment is expected to be completed in January 2014 when Customer Services will move into more modern accommodation for the benefit of customers and staff.

A follow-up customer satisfaction survey was carried out this year to complement our first annual survey that was done in 2012. The result showed strong positive trends in many measures, although there are still many areas where improvements have to be made. The results of the survey are to be used as a benchmark for the coming years so that we can judge our performance improvements through the eyes of our customers.

A technician makes thorough diagnostic checks.

Customer and public awareness campaigns were held across schools and communities around Honiara and the provincial centres, complementing the weekly radio programmes and other media notices we have used. Through these approaches, customers and the public are much better informed about the SIEA's plans, expectations and requirements. The campaign will continue into 2014.

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 Intent, and approves 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

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

Name	Position	Appointment	Re-appointment	Term
Mr Adrian Wickham	Chairman	4 Aug 2011		3 years
Mr David Laurie	Overseas Director	26 April 2010		3 years
Ms Nanette Tutua	Director	8 Feb 2008	30 June 2012	2 years
Mr Henry Tobani	Director	8 Feb 2008	30 June 2012	2 years
Mr Douglas Alex	Director	8 Feb 2008	30 June 2012	1 year
Mr Harry Zoleveke	Director	30 June 2012		3 years
Mr Henry Kapu	Director	30 June 2012		3 years
Mr Sebastian Ilala	Director	30 June 2012		3 years

Prior to the implementation of the SOE Act in 2012, appointment of the Board and number of Directors was decided by the Ministers Accountable and was not regulated. With the implementation of the SOE Act in 2012, appointment was regulated, and the number of positions on the Board was reduced from 12 to eight.

Below is the Board of Directors for 2013.

Mr Adrian Wickham	Chairman
Mr. Sebastian Ilala	Director
Mr David Laurie	Overseas Director
Ms Nanette Tutua	Director
Mr Henry Tobani	Director
Mr Douglas Alex	Director
Mr Harry Zoleveke	Director
Mr Henry Kapu	Director

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

(a) As profitable and efficient as comparable businesses that are not owned by the Crown or established as a statutory bodies by an Act of Parliament,

(b) A good employer, and

(c) An organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates.

Statutory Duties of the Board

In addition to the above duties, the Board of Directors of SIEA 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,

(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 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 in a register any conflict of interest in an interests register.

Fiduciary Duties of Directors

The Directors of SIEA also owe the following duties to the company. These fiduciary duties form the code of ethics of SIEA. A fiduciary relation imposes an obligation of utmost good faith on Directors by putting the interests of the Company first, and the SIEA 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 nine meetings during its financial year, which ended 31st December 2013. Eight of these were scheduled, and one was an extraordinary meeting. 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: Finance and Audit; 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.

Finance & Audit Sub-Committee

Membership:

1. Mr Henry Kapu - Chairman
2. Mr Adrian Wickham - Member
3. Mr David Laurie - Member
4. Mr Sebastian Ilala - Member
5. Mr Douglas Alex - Member

Number of meetings: 3

HR Sub-Committee

1. Mr Henry Tobani - Chairman
2. Ms Nanette Tutua - Member
3. Mr Henry Kapu - Member
4. Mr Adrian Wickham - Member

Number of meetings: 2

Technical Sub-Committee

1. Mr David Laurie - Chairman
2. Mr Adrian Wickham - member
3. Mr Henry Kapu - Member
4. Mr Harry Zoloveke - Member

Number of meetings: 3

Bringing electricity to rural areas.

Legal Department

Role

The Legal Department is responsible for ensuring that legislation relating to the operation of the Authority is complied with. This legislation includes the Electricity Act (Cap 128), the State Owned Enterprises Act 2007, the Labour Act, the Employment Act, and the Safety At Work Act.

The Legal Department also tenders advice, both to the Board and the Management, on any legal issues that the Board or Management may face. Should a legal matter involve complex technical issues, outside assistance is sought, either locally or internationally, as appropriate.

Major contracts

The Legal Department also oversees the drawing up and signing of contracts. In 2013, SIEA was busy in undertaking major capital works. The first major contract included the refurbishment of the Head Office with MP Construction, and the second with Pernix for the 33kv underground cables, which comes under the SISEP funded by the World Bank. There are other minor contracts in relation to housing repairs and land acquisition.

Bypass customers

The most challenging task faced by the legal section is prosecuting bypass customers.

Bypass customers are those people who deliberately bypass SIEA's meters and use electricity without paying for it. Once discovered by our Audit teams, they are immediately disconnected.

The second group are those customers whose cash power meters were bypassed because a cable was connected from the mains to supply a power point circuit, before the cash power meters were installed.

To be reconnected, customers must pay at least 75%, if not the full amount, of the assessed bypass bills.

Trade Dispute Panel

There were two cases lodged by former employees for unfair dismissal.

Outstanding claims.

A claim was received, and denied, for $685,300.00 for breach of contract from the coconut oil supplier at Auki for the CNO Trial Project. This claim is still continuing in the High Court.

The claim over the strip of land at the rear entrance to SIEA Headquarters is still pending in the High Court. Sol-Law have taken coverage of this case.

Solomon Islands Electricity Authority
Financial Statements
For the Year Ended
31 December 2013

Contents

Directors' report

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Solomon Islands Electricity Authority (SIEA) as at 31 December 2013 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 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 are as follows:

Name
Adrian Wickham - chairman (appointed August 2011)
Douglas Alex - (appointed February 2010)
David Laurie - (appointed April 2010)
Harry Zoleveke - (appointed June 2012)
Henry Kapu - (appointed June 2012)
Henry Tobani - (appointed February 2008)
Nanette Tutua - (appointed February 2008)
Sebastian Ilala - (appointed June 2012)

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 2013, 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 net profit for the year was SBD 46,336,352 (2012: profit of SBD 72,481,960).

Dividends

The Directors recommended that no dividends be declared or proposed for the year.

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 8 am this 28th day of March 2014.

Signed in accordance with a resolution of the Directors.

Director

Director

Solomon Islands Office
of the Auditor-General

INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Electricity Authority

I have audited the accompanying financial statements of Solomon Islands Electricity Authority, which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows 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 Directors and management are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards and the requirements of the State Owned Enterprises Act, 2007. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditors' responsibility

My responsibility is to express an opinion on the Financial Statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the authority's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements of the Solomon Islands Electricity Authority give a true and fair view of the financial position of the authority as at 31 December 2013 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Robert Cohen
Acting Auditor-General
31 March 2014

Office of the Auditor-General
Honiara, Solomon Islands

Statement of comprehensive income
For the year ended 31 December 2013

	Note	2013 SBD	2012 SBD
Operating income			
Electricity sales		404,299,236	397,574,602
Grant income	19	6,151,987	9,765,978
Other operating income	7	11,819,610	16,382,894
Total operating income		**422,270,834**	**423,723,474**
Less expenses			
Generation and distribution	8	262,487,701	265,904,450
Administration	9	52,140,517	38,638,345
Depreciation	13	28,370,196	27,645,159
Allowance for uncollectability	16	4,919,238	(4,178,999)
Inventory write-off		165,471	106,936
Revaluation decrement - property, plant and equipment	13	5,958,900	-
Operating expenses	12	25,773,013	22,222,816
Gain / (loss) from operations		**42,455,799**	**73,384,766**
Foreign exchange gain / (loss)		3,880,554	(902,806)
Net profit / (loss) for the year		**46,336,352**	**72,481,960**
Other comprehensive income			
Revaluation increment - property, plant and equipment	13	62,715,894	4,985,383
Prior period adjustment	10	1,355,277	-
Total comprehensive income / (loss) for the year		**110,407,524**	**77,467,343**

The notes on pages 32 to 48 are an integral part of the financial statements.

Statement of changes in equity
For the year ended 31 December 2013

	Contributed capital SBD	Asset reserves revaluation SBD	Accumulated losses SBD	Total SBD
Balance at 1 January 2012	**246,933,170**	**231,773,455**	**(95,413,011)**	**383,293,614**
Total comprehensive loss for the year				
Net profit for the year	-	-	72,481,960	72,481,960
Prior period adjustment	-	4,985,383	-	4,985,383
Balance at 31 December 2012	**246,933,170**	**236,758,838**	**(22,931,051)**	**460,760,957**
Balance at 1 January 2013	**246,933,170**	**236,758,838**	**(22,931,051)**	**460,760,957**
Total comprehensive income for the year				
Net profit for the year	-	-	46,336,352	46,336,352
Other comprehensive income	-	-	-	-
Revaluation of property, plant and equipment	-	62,715,894	-	62,715,894
Prior period adjustment	-	-	1,355,277	1,355,277
Balance at 31 December 2013	**246,933,170**	**299,474,732**	**24,760,578**	**571,168,481**

The notes on pages 32 to 48 are an integral part of the financial statements.

Statement of financial position For the year ended 31 December 2013

Assets	Note	2013 SBD	2012 SBD
Non-current assets			
Property, plant and equipment	13	402,802,573	318,346,242
Receivables	16	8,686,381	6,562,500
Total non-current assets		**411,488,954**	**324,908,742**
Current assets			
Cash and cash equivalents	14	129,367,625	99,823,333
Held to maturity investment		13,284,003	-
Inventories	15	7,458,153	8,421,876
Receivables	16	62,165,625	82,890,567
Prepayments		336,706	-
Total current assets		**212,612,112**	**191,135,776**
Total assets		**624,101,066**	**516,044,518**
Non-current liabilities			
Deferred income	18	25,861,602	26,623,602
Total non-current liabilities		**25,861,602**	**26,623,602**
Current liabilities			
Deferred income	18	6,151,987	2,505,234
Trade and other payables	20	20,918,996	26,154,724
Total current liabilities		**27,070,984**	**28,659,958**
Total liabilities		**52,932,585**	**55,283,560**
Equity			
Contributed capital	17	246,933,170	246,933,170
Reserves		299,474,732	236,758,838
Accumulated profits / (losses)		24,760,578	(22,931,051)
Total equity		**571,168,481**	**460,760,957**
Total equity and liabilities		**624,101,066**	**516,044,518**

Signed for and on behalf of the Board of Directors

Director

Director

The notes on pages 32 to 48 are an integral part of the financial statements.

Statement of cash flows
For the year ended 31 December 2013

	Note	2013 SBD	2012 SBD
Operating activities			
Cash received from customers		432,623,084	395,171,524
Cash paid to suppliers and employees		(339,863,057)	(309,673,614)
Net cash provided by operating activities		**92,760,027**	**85,497,910**
Investing activity			
Held to maturity investments		(13,284,003)	-
Net payments for property, plant and equipment	13	(58,968,473)	(12,394,628)
Net cash used in investing activity		**(72,252,476)**	**(12,394,628)**
Financing activities			
Grant income		9,036,741	7,260,744
Net cash provided by financing activities		**9,036,741**	**7,260,744**
Net increase in cash and cash equivalents		**29,544,292**	**80,364,026**
Cash and cash equivalents at 1 January		99,823,333	19,459,307
Cash and cash equivalents at 31 December	**14**	**129,367,625**	**99,823,333**

The notes on pages 32 to 48 are an integral part of the financial statements.

Notes to the financial statements
For the year ended 31 December 2013

1 Reporting entity

Solomon Islands Electricity Authority (SIEA) is a state owned enterprise established under the Solomon Islands Electricity Authority Act 2007. 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.

Notes to the financial statements
For the year ended 31 December 2013

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 profit or loss when there is objective evidence that the asset is impaired.

Other financial assets at fair value through profit or loss

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 are included in the profit or loss 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 profit or loss.

Notes to the financial statements
For the year ended 31 December 2013

5 Specific accounting policies (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 trade and other payables.

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 other subsequent contributions by Government.

e) Impairment

i. Non-derivative financial assets

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.

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.

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.

Notes to the financial statements
For the year ended 31 December 2013

5 Specific accounting policies (continued)

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 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 is reversed through profit or loss.

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 profit or loss.

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.

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.

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.

Notes to the financial statements For the year ended 31 December 2013

5 Specific accounting policies (continued)

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 profit or loss. 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 profit or loss 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:

Freehold land - unlimited
Leasehold land - life of lease
Distribution network - various
Non-operational buildings including office buildings and houses - 40 years (2.5% depreciation p.a.)
Generators - 20 years (5% depreciation p.a.)
Operational buildings including power stations - 20 years (5% depreciation p.a.)
Generation plant & equipment - 10 years (10% depreciation p.a.)
Furniture & equipment - 5 years (20% depreciation p.a.)
Information technology - 5 years (20% depreciation p.a.)
Motor vehicles - 5 years (20% depreciation p.a.)
Tools - 3 years (33% depreciation p.a.)

The useful lives of assets may vary for this standard and are reviewed annually.

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 was 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.

Notes to the financial statements
For the year ended 31 December 2013

5 Specific accounting policies (continued)

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

Any revaluation increase arising on the revaluation of assets is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the 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 profit or loss 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 profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, is transferred directly to retained earnings.

iv. Impairment of 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.

Goodwill, 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. An impairment of goodwill is not subsequently reversed.

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 profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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

v. Investment property

Investment property is property held primarily to earn rentals and/or capital gain rather than used for operational purposes. Measurement is at fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss in the period in which they arise.

Notes to the financial statements
For the year ended 31 December 2013

5 Specific accounting policies (continued)

vi. Leased assets

SIEA is not presently a lessee of property, plant and equipment under any finance or operating leases, nor is it presently a lessor of property, plant and equipment under operating leases.

Finance leases effectively transfer all of the risks and benefits incidental to ownership to the lessee, being SIEA. Leased assets are depreciated over their useful lives. A corresponding liability is also established at the inception of each lease, and each lease payment is allocated between the liability and finance costs.

Under operating leases, all the risks and benefits of ownership remain with the lessor. Operating lease payments and receipts are representative of the pattern of benefits derived from the leased assets and are accordingly recognised in the profit or loss as expenses or revenue, in the period in which the benefits are incurred or received.

vii. 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 it 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.

Notes to the financial statements
For the year ended 31 December 2013

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 the Group 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 percent of the employees' gross salaries and contributes 7.5 percent 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 profit or loss 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 profit or loss.

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 profit or loss. The gains or losses in the associated derivative are also recognised in the profit or loss.

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 profit or loss as other income when the grant becomes receivable.

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

Notes to the financial statements For the year ended 31 December 2013

6 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:

	2013 SBD	2012 SBD
Cash at bank	129,326,625	99,782,333
Receivables - current	47,889,023	68,828,930
Receivables - non current	8,686,381	6,562,500
	185,902,028	175,173,763

Receivables are determined impaired as follows:

	2013	2012
Trade and other receivables		
Gross receivables	93,988,112	110,378,517
Provision for impairment	(37,412,708)	(34,987,087)
	56,575,404	75,391,430

Notes to the financial statements
For the year ended 31 December 2013

6 Financial risk management (continued)

ii) Liquidity risk

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

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:

31 December 2013

	Carrying amount" SBD	6 months or less" SBD	6-12 months SBD	Greater than 1 year" SBD
Financial liabilities				
Trade and other payables	20,918,996	20,918,996	-	-
	20,918,996	20,918,996	-	-

ii) Liquidity risk (continued)

31 December 2012

Financial liability				
Trade and other payables	26,154,724	26,154,724	-	-
	26,154,724	26,154,724	-	-

iii) Market risk

Market risk is the risk that changes in market prices, such as 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 tariff review on a regular basis with the next one being currently undertaken. The outcome of such a review on the pricing of electricity cannot be presently determined.

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 interest rate risk is minimal.

Notes to the financial statements
For the year ended 31 December 2013

		2013	2012
7	**Other operating income**	**SBD**	**SBD**
	Included in other operating income are the following:		
	Community service obligation	10,000,000	11,248,016
	Installation fees	-	3,314,930
	Reconnections	24,067	24,280
	Other	1,795,543	1,795,668
		11,819,610	**16,382,894**
8	**Generation and distribution**		
	Included in generation and distribution expenses are the following:		
	Repairs and maintenance		
	Lubricanting Oil	39,404,652	38,796,862
	Bought in Electricity	3,206,656	1,639,976
	Payroll	11,265,063	212,879,191
	Other	7,775,303	212,879,191
	Fuel	200,594,481	212,879,191
		262,487,701	**265,904,450**
9	**Administration**		
	Included in administration expenses are the following:		
	Payroll	41,617,711	32,151,265
	Computer bureau charges	584,792	624,600
	Directors fees and expenses	608,668	125,601
	Electricity	2,305,681	1,248,876
	Electricity rebate	1,253,961	927,482
	Freight	336,085	121,593
	Printing and stationery	1,694,296	1,520,311
	Rent	1,870,664	709,030
	Travel and accommodation	1,868,660	1,209,587
		52,140,517	**38,638,345**

10 Prior Period Adjustments

The Prior Period Adjustments are due to exchange rate variances on the Trade Creditors recognised at the end of 2012. Various outstanding purchase orders at the end of 2012 were denominated in other currencies and converted to Solomon Dollars as at 31st December 2012. The actual payments were at the exchange rate relevant on the date of payment. The difference lead to this prior period adjustment.

		2013	2012
11	**Personnel expenses**		
	Wages and salaries expense	20,691,697	19,156,296
	National Provident Fund contributions	2,009,889	1,713,338
	Housing allowance and shift allowances	2,486,221	1,934,029
	Other staff related costs	2,453,792	2,776,180
		27,641,599	**25,579,842**
12	**Operating expenses**		
	Included in operating expenses are the following:		
	Payroll	8,643,941	7,925,899
	Repairs and Maintenace	11,609,963	10,246,401
	Vehicle Costs	3,527,187	2,806,229
	Customs Handling Charges	1,288,434	511,097
	Other	703,489	733,190
		25,773,013	**22,222,816**

Notes to the financial statements
For the year ended 31 December 2013

13. Property, plant and equipment

	Land	Buildings	Generators	Plant and equipment	Distribution network	Office furniture and equipment	Motor vehicles	Tools	Work in progress	Total
	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD
Cost / Revaluation										
Balance as 1 January 2012	**17,522,760**	**13,985,470**	**-**	**146,920,751**	**150,493,436**	**3,571,337**	**2,340,502**	**478,565**	**354,485**	**335,667,306**
Off set of accumulated depreciation as a result of a revaluation	-	(4,022,109)	-	-	-	-	-	-	-	(4,022,109)
Adjustment to asset revaluation reserve resulting from a revaluation	(4,278,950)	9,264,333	-	-	-	-	-	-	-	4,985,383
Reclassifications	-	-	115,410,018	(115,565,575)	-	-	-	155,557	-	-
Additions	-	-	197,670	90,250	1,540,960	2,069,913	5,632,773	246,819	2,616,243	12,394,628
Work in progress capitalised	-	-	-	-	1,669,468	-	-	-	(1,669,468)	-
Balance at 31 December 2012	**13,243,810**	**19,227,694**	**115,607,688**	**31,445,425**	**153,703,864**	**5,641,250**	**7,973,276**	**880,941**	**1,301,260**	**349,025,208**
Off set of accumulated depreciation as a result of a revaluation	-	(2,644,473)	(29,717,006)	(6,033,616)	(12,008,982)	-	-	-	-	(50,404,077)
Adjustment to asset revaluation reserve resulting from a revaluation	13,518,254	4,898,643	16,533,316	6,076,701	21,688,980	-	-	-	-	62,715,894
Additions	654,782	8,626,699	21,910,238	1,657,849	1,253,979	4,091,437	8,885,764	2,190,719	9,697,005	58,968,473
Disposals	(254,782)	(1,442,357)	-	-	-	(903,278)	(981,822)	(384,181)	-	(3,966,420)
Work in progress capitalised	-	-	-	-	2,204,415	-	-	-	(2,204,415)	-
Revaluation decrement	(687,990)	(2,343,699)	-	(2,927,211)	-	-	-	-	-	(5,958,900)
Balance at 31 December 2013	**26,474,074**	**26,322,506**	**124,334,237**	**30,219,149**	**166,842,256**	**8,829,409**	**15,877,218**	**2,687,479**	**8,793,850**	**410,380,179**
Breakdown of cost/revaluation										
2011 Valuation	-	-	-	-	-	-	1,358,681	249,941	-	1,608,622
2013 Valuation	26,474,074	26,322,506	124,334,237	30,219,149	166,842,256	-	-	-	-	374,192,222
Cost	-	-	-	-	-	8,829,409	14,518,538	2,437,538	8,793,850	34,579,335
Balance at 31 December 2013	**26,474,074**	**26,322,506**	**124,334,237**	**30,219,149**	**166,842,256**	**8,829,409**	**15,877,218**	**2,687,479**	**8,793,850**	**410,380,179**
Depreciation and impairment loss										
Balance as 1 January 2012	**-**	**4,743,468**	**-**	**-**	**-**	**2,312,448**	**-**	**-**	**-**	**7,055,916**
Depreciation	-	1,274,689	15,358,235	3,004,855	5,931,268	556,001	1,444,594	75,517	-	27,645,159
Off set of accumulated depreciation as a result of a revaluation	-	(4,022,109)	-	-	-	-	-	-	-	(4,022,109)
Balance at 31 December 2012	**-**	**1,996,048**	**15,358,235**	**3,004,855**	**5,931,268**	**2,868,448**	**1,444,594**	**75,517**	**-**	**30,678,966**
Depreciation	-	930,324	14,358,770	3,028,760	6,077,714	896,591	2,889,338	188,698	-	28,370,196
Off set of accumulated depreciation as a result of a revaluation	-	(2,644,473)	(29,717,006)	(6,033,616)	(12,008,982)	-	-	-	-	(50,404,077)
Depreciation on disposed assets	-	(281,898)	-	-	-	(306,336)	(397,833)	(81,413)	-	(1,067,479)
Balance at 31 December 2013	**-**	**-**	**-**	**-**	**-**	**3,458,704**	**3,936,100**	**182,802**	**-**	**7,577,606**
Carrying amounts										
At 1 January 2012	17,522,760	9,242,002	-	146,920,751	150,493,436	1,258,890	2,340,502	478,565	354,485	328,611,390
At 31 December 2012	13,243,810	17,231,646	100,249,453	28,440,570	147,772,596	2,772,802	6,528,682	805,424	1,301,260	318,346,242
At 31 December 2013	**26,474,074**	**26,322,506**	**124,334,237**	**30,219,149**	**166,842,256**	**5,370,705**	**11,941,118**	**2,504,677**	**8,793,850**	**402,802,573**

Notes to the financial statements
For the year ended 31 December 2013

13 Property, plant and equipment (continued)

During 2013 SIEA engaged Sinclair Knights Mertz (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.

SIEA also engaged Value Solutions Appraisal during 2013 to carry out an independent valuation of all land and buildings.

The combined results of this valuation process was an increase in fixed assets and the asset revaluation reserve of $62,715,894 as detailed in the table above. However, this increase in value was partially offset by an impairment loss of $5,958,900, also as detailed in the table above and expensed in the profit or loss.

Both these valuations were completed in December 2013 and adopted in the financial statements as at 31 December 2013.

14 Cash and cash equivalents	**2013 SBD**	**2012 SBD**
Cash on hand	41,000	41,000
Cash at bank	129,326,625	99,782,333
	129,367,625	99,823,333

15 Inventories		
Fuel and lubricants	-	2,461,596
Electrical and mechanical	7,458,153	5,960,280
	7,458,153	8,421,876

Fuel and Lubricants are paid for on consumption from supplies held on site and on consignment by the supplier SPO through a fuel and a lubricants contract signed in 2012. No fuel and lubricants inventories are therefore held by SIEA.

16 Receivables

Current		
Trade receivables - kilowatt (Kwh)	63,717,522	66,894,078
Allowance for impairment - kilowatt (Kwh)	(29,870,221)	(25,276,161)
Trade receivables - CashPower	14,997,010	14,799,195
Allowance for impairment - CashPower	(7,511,960)	(9,620,517)
Related party receivable - Solomon Islands Water Authority	937,500	15,937,500
Related party receivable - Solomon Islands Broadcasting Corporation	360,000	-
Staff advances	288,159	375,623
Allowance for impairment- staff advances	(30,526)	(90,408)
Unread meters	14,276,602	14,061,636
Other debtors	5,001,540	5,809,620
	62,165,625	82,890,567
Non - current		
Related party receivable - Solomon Islands Water Authority	5,625,000	6,562,500
Related party receivable - Solomon Islands Broadcasting Corporation	3,061,381	-
	8,686,381	6,562,500

Notes to the financial statements
For the year ended 31 December 2013

16 Receivables (continued)

On 31 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 1 January 2013.

On 8 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 31 May 2013.

	2013 SBD	2012 SBD
Allowance for impairment		
Balance at 1 January	34,987,087	39,166,085
Impairment recognised	4,919,238	(4,178,999)
Bad debts written off during the year	(2,493,616)	-
Balance at 31 December	37,412,708	34,987,087

17 Contributed capital

Contributed capital	246,933,170	246,933,170

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

	2013 SBD	2012 SBD
18 Deferred income		
Balance at 1 January	29,128,836	31,634,070
Additional deferred income	5,389,987	-
Deferred income recognised during the year	(2,505,234)	(2,505,234)
Balance at 31 December	32,013,589	29,128,836

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

Current	6,151,987	2,505,234
Non-current	25,861,602	26,623,602
	32,013,589	29,128,836

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 profit or loss over the life of the power station.

In 2013 a grant of approximately $5.4 million was received from the World Bank through the Solomon Islands Sustainable Energy Project (SISEP) to fund various capital projects. These projects will not be completed until 2014 at which time the deferred income will be amortised to the profit or loss over the life of the projects.

Notes to the financial statements
For the year ended 31 December 2012

19 Correction of a prior period

In 2012 the non-reciprocal grant from the Government of Japan (see note 18) was treated as a contribution from the Solomon Island Government.

During 2013 SIEA reviewed the terms of this agreement and determined that under International Accounting Standard 20 (IAS20 - Accounting for Government Grants) that the grant should be accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income, which should then be amortised over the life of the power station.

Similarly grants received from the World Bank through the Solomon Islands Sustainable Energy Project (SISEP) were also treated as a contribution from the Solomon Island Government whereas IAS20 states that they should be treated as revenue and recognised in the profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

The impact of these two changes on the statement of financial position and income statement for 2012 is set out below.

	SBD Original	SBD Adjustment	SBD Restated
Grant revenue	-	9,765,978	9,765,978
Deferred income	-	29,128,836	29,128,836
Accumulated loss	(51,335,652)	28,404,601	(22,931,051)
Contributed capital	304,466,607	(57,533,437)	246,933,170

The impact on opening accumulated losses and contributed capital is shown in the statement of changes in equity.
The impact on grant income as shown in the statement of comprehensive income is set put below.

Grant Income	2013 SBD	2012 SBD
Restatement of SISEP grants (2012)	-	7,260,744
SISEP grant payments (2013)	3,646,753	-
Restatement of JICA grants	2,505,234	2,505,234
	6,151,987	9,765,978

20 Trade and other payables	2013 SBD	2012 SBD
Current		
Trade creditors	15,489,150	22,960,825
Other payables and accruals	3,828,350	2,389,183
Consumer deposits	1,601,496	804,716
	20,918,996	26,154,724

Notes to the financial statements
For the year ended 31 December 2012

21 Related parties

a) Directors

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

Name

Adrian Wickham - chairman (appointed August 2011)
Douglas Alex - (appointed February 2010)
David Laurie - (appointed April 2010)
Harry Zoleveke - (appointed June 2012)
Henry Kapu - (appointed June 2012)
Henry Tobani - (appointed February 2008)
Nanette Tutua - (appointed February 2008)
Sebastian Ilala - (appointed June 2012)

Director's fees and expenses are disclosed in Note 9.

SIEA's transactions with Directors were on normal terms and conditions.

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.

c) Amounts receivable from related parties

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

	2013 SBD	2012 SBD
Central Bank of Solomon Islands	79,470	103,055
Central Provincial Government	3,619	3,706
Commodity Export Marketing Authority	-	122,485
Home Finance Corporation	21,291	30,034
Honiara City Council	287,077	345,295
Makira/Ulawa Provincial Government	6,054	776
Malaita Provincial Government	70,125	315,186
Provincial Hospital	2,821,311	3,401,861
Solomon Airlines Limited	306,328	133,525
Solomon Islands Broadcasting Corporation	3,906,375	4,398,289
Solomon Islands College of Higher Education	589,303	312,537
Solomon Islands Government	13,530,417	16,136,635
Solomon Islands Ports Authority	406,046	75,115
Solomon Islands Postal Corporation	43,508	968
Solomon Islands Water Authority	6,732,471	24,104,287
Temotu Provincial Government	255	108,614
Western Provincial Government	9,081	193,858
Ysabel Provincial Government	40,808	63,437
	28,853,538	49,849,662

Notes to the financial statements
For the year ended 31 December 2012

d) Transactions with key management personnel

Key management personnel comprises of the General Manager, Chief Financial Officer, Chief Engineer, Legal Officer, Financial Controller, Generation Manager, Distribution Manager, Customer Services Manager, Outstation Manager, Corporate Services Manager, Capital Works Manager and the Health & Safety Manager.

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

	2013	2012
	SBD	SBD
Short-term employee benefits	5,310,892	4,353,736
	5,310,892	4,353,736

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.

22 Commitments and contingencies

Capital commitments

SIEA undertakes capital works and purchases assets according to an approved budget when management consider sufficient funds available. Capital commitments as at 31 December 2013 amounted to $316,000,000 (2012: $169,000,000). These commitments are in relation to property, plant and equipment.

Capital Commitments	2013	2012
	SBD	SBD
Less than 1 Year	168,000,000	19,000,000
Between 1 year and 5 years	148,000,000	150,000,000
Greater than 5 years	-	-
	316,000,000	169,000,000

Contingent liabilities

SIEA is a party to three legal trade related cases. The Directors do not expect the outcome of any action to have a material effect on SIEA's financial position.

The Inland Revenue Department has recently requested that SIEA undertake a review of all withholding tax obligations and the payment of tax on non-cash benefits from 2006 onwards. This review has only recently commenced and whilst SIEA accepts that it will be liable for some backdated tax and possibly penalties and interest, this amount can not yet be accurately quantified and accordingly has not been provided for in this years financial statements.

23 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.

SIEA is not subject to any externally imposed capital requirements.

24 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.