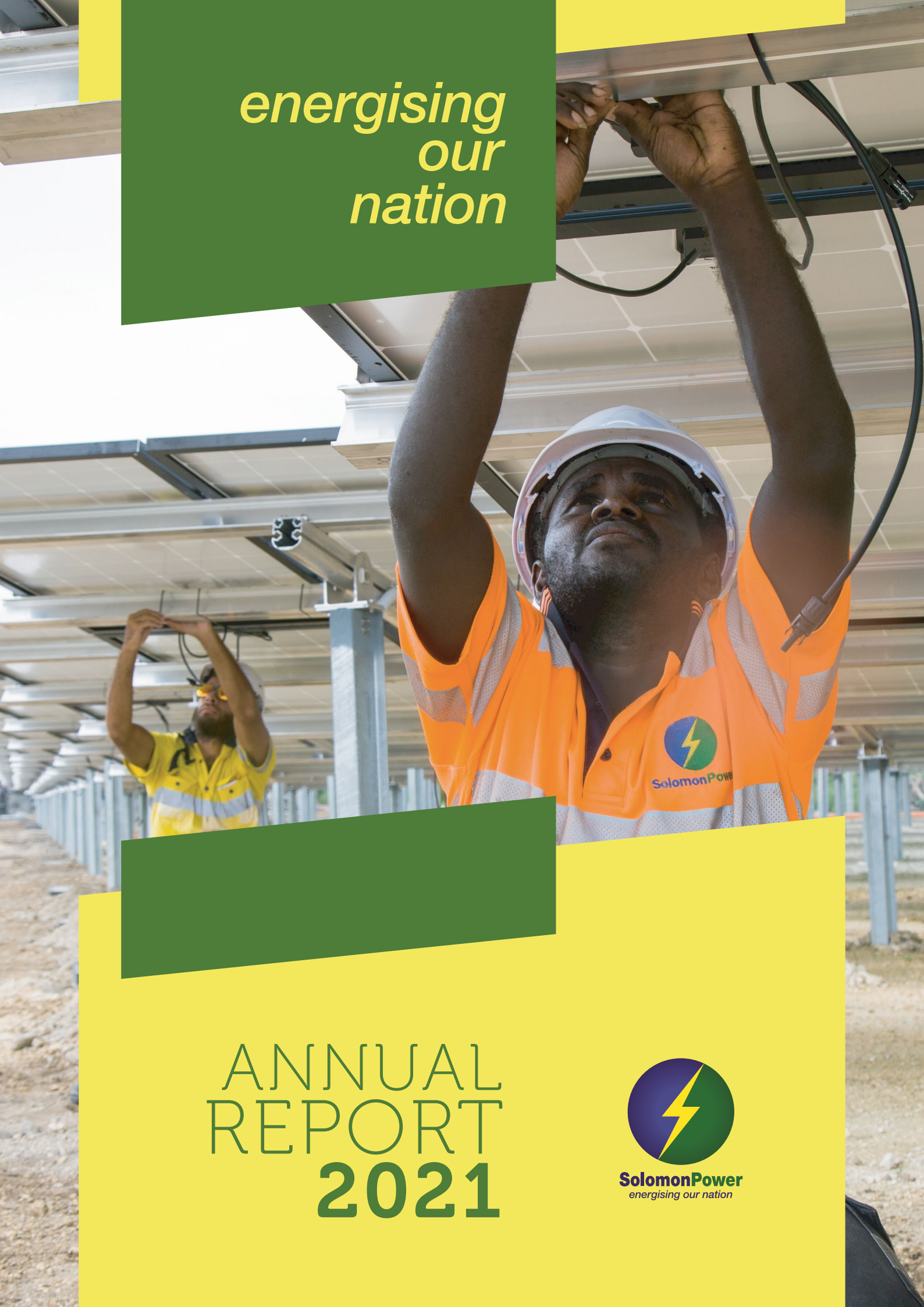
energising our nation



ANNUAL REPORT 2021

SolomonPower
energising our nation

energising our nation

VISION
Energising Our Nation

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

VALUES
Respect for our customers and our people.

Improvement through Change and Innovation.

Meeting our Service Quality Commitments.

Care for the Environment.

Individual Responsibilities for our Action

Honesty and Trust

Teamwork

Contents
Operations

Letter to the **Ministers**

Date: 30th March 2022

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

&

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

Dear Honourable Ministers,

SOLOMON ISLANDS ELECTRICITY AUTHORITY (Trading as Solomon Power)
ANNUAL REPORT 2021

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

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

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

Yours faithfully,

David K.C. Quan OBE
Chairman

HIGHLIGHTS 2021

- Appointed a local Chief Executive Officer (CEO) Mr Donald Kiriau, some 12 years since a Solomon Islander last held this position.
- Sustained the reliability of power supply in Honiara and the Outstations
- Sustained G-1 operation in Honiara and Outstations
- Implemented the change in Base Tariff and Charges for Supply of Electricity Regulation
- Establish Strategy for 2022 - 2027
- For Tina River Hydropower Project
  - Solomon Islands Electricity Authority (SIEA/SP) with Australian Infrastructure Financing Facility for Pacific/Export Finance Australia (AIFFP/EFA) executed financing agreements for implementation of Component 3 - Tina River Hydropower Transmission System.
  - Completed detailed design for the 66kV Transmission System with ongoing progress with missing scope for Lungga 66kV/33kV switchyard.
  - The connection studies to integrate the hydro plant to the existing grid has been completed.
  - Executed Collaboration Agreement with Ministry of Mines, Energy and Rural Electrification (MMERE) for implementation of Community Benefit Sharing Project (CBSP) – Electrification sub-component under Component 4 of Tina River Hydropower Development Project (TRHDP) – Technical Assistance.
- The Output Based Aid (OBA) Programme continued under the Solomon Islands Electricity Access & Renewable Energy Expansion Project (SIEAREEP) with 1,254 additional OBA customers connected and energised in 2021.
- 11kV/415V line network extensions were completed in Titiana & Tisi in Western Province, Ferakusia in Malaita & Luova in Temotu Province.
- Completed 8 line network extensions for OBA customers
- Completed Buala Flood Protection Civil Upgrades
- Completed JICA Phase 2 Road Crossing Works
- Completed & Opened three new office buildings at Gizo, Munda and Tulagi
- Successfully closed out the outsourced SP ICT Server and Network Administration Services Contract with Greymouse Ltd. These services had been managed by Greymouse for over 10 years. This will now be managed by SP ICT Division.
- Installed two additional Zoom and Video-Conferencing facilities at Ranadi Head Office
- Implemented time-clocks for staff attendance and payroll calculation purposes at Taro, Gizo, Noro, Munda, Buala & Lata.
- Implemented SP Covid 19 Policy.
- Implemented the Sponsorship of the Solomon Islands Football Federation's "Iumi Play Program" valued at $1m.
- New Corporate Uniform & Friday Wear
- TeamMate Audit Management System was set up.
- Phase out eleven (11) non-operational vehicles
- Establish a Legal Division
- Continued our focus on safety, nurturing and mentoring of staff
- Continued the apprenticeship and graduate programmes

PLANS for 2022

- Further improvement in the reliability of electricity supply in Honiara and at the Outstations
- Sustain G-1 operation in Honiara and at the Outstations
- Implement SP Corporate Strategy 2022 - 2027
- For Tina River Hydro Project
  - Closing and progressing the conditions precedent for the financing agreement with AIFFP for the 66kVn transmission lines from Tina to Lungga.
  - Working with THL, the lenders and the SIG Project Office on the remaining issues on the main Tina River Hydropower project
- Progress with the following Renewable Energy Projects
  - Solar Hybrid conversions at Kirakira, Lata, Malu'u, Munda and Tulagi
  - Mini-grids at Hauhui, Namugha, Sasamunga and Vonunu
  - Contract award for Tanagai 1 MW Solar Farm
  - Detailed design & installations of 2 MW Solar Farm at Henderson
- Detailed design & installations of 200kW rooftop Solar Farm at Ranadi Head Office building
- Progress with Data Centre, Control Centre and Call Centre Building Project
- Progress with constructions of twenty four network extensions in Honiara & in the Provinces
- Commissioning of Buala Hydro Repair Project
- Commissioning of Honiara Power Station Site Upgrade Project
- Commissioning of a Data Centre, Control Centre, and Call Centre Building at Lungga Power Station
- Commissioning of a substation enclosure for East Honiara Substation
- Progress with Honiara SCADA project
- Develop more new network extensions in Honiara and at the Outstations
- Continue implementation of the maintenance plan
- Completion of Office Buildings at Lata & Noro
- Housing upgrade works in Auki
- Continue focus on safety, training, nurturing and mentoring
- Continue with Talent Development programme and succession planning

Solomon Islands Electricity Authority Trading as **Solomon Power**

WHO WE ARE

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

OUR OBJECTIVES

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

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

To meet these objectives, Solomon Power strives to

Be as profitable and efficient as comparable businesses by:

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

Be a good employer by Maintaining a well-qualified and motivated staff.

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

Act in a socially responsible manner by

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

Nature and scope of our activities

Solomon Power'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 Solomon Power mains.
- Be responsible for the licensing of standby generators, Independent Power Producers (IPPs) and Cogeneration of power.

Members of the **Board**

David K.C. Quan OBE
Chairman

James Apaniai
Director

John Bosco Houanihau
Director

Rovaly Sike
Director

Muriel Ha'apue Dakamae
Director

Natalie Kairi
Board Secretary

Executive Management

Donald John Kiriau
Chief Executive Officer

Martin Sam
Chief Engineer

Delilah Homelo
General Manager Customer Services

Joshua Tuasulia
Chief Financial Officer

Ila Tura
Chief Information & Communications Technology Officer

Bennie Smith
General Manager Special Projects

Droumand Rupert
General Manager Corporate Services

Noel Quan
Legal Counsel

Jeremy Maneipuri
General Manager Capital Works (Acting)

Senior Management

Christian Siota
Manager Health, Safety, Security & Environment

Dalton Maesia
Manager Land, Building and Fleet

Geoffery Ossie
Manager Internal Audit

Apollos Inasimae
Manager Finance

Levan Respioh
Manager Business Administration

Dickson Alamania
Manager Generations and Outstations

Mathew Korinihona
Manager Distribution

Lyndel Silas
Manager Customer Services

Sarah Rove
Manager Call Centre

Kenny Radave
Meter Engineer

Stanley Teahohonoa
Marketing Manager

Rose Tate
Manager Billing and Revenue

Gavin Gorazu
Information Technology Manager

Grace Kiribatu
Manager Regulatory

Andrew Suka'a
Manager Contracts

Graham Kidoe
Manager Projects

David K.C. Quan OBE
Chairman

Chairman's Letter

Solomon Islands Electricity Authority trading as Solomon Power has made great progress over the past decade. As one of the best performing State Owned Enterprises in the country, it delivered another year of profits for the year 2021, and managed to complete its statutory accounts on schedule. All of this was achieved despite the country and company operating in a pandemic and low economic growth environment.

This exceptional performance is wholly due in part to the tireless efforts of the management and staff of Solomon Power, and with the support of my colleague directors on the Board. Their dedication to the vision of energising the nation has ensured that electricity is reliably provided and network and generation systems are continuously being maintained. On that note, I acknowledge the appointment of the new Chief Executive Officer of the company, a Solomon Islander after some 12 years since a Solomon Islander last held this position. We have engaged a new crop of young and energetic executives in finance, customer services and legal, all Solomon Islanders, who will lead and sustain the success of Solomon Power into the future. We also acknowledge the support of our valued customers from all sectors of our community and economy.

One of the major outcomes in 2021 was the review and implementation of a new electricity tariff that reduced the non-fuel charge by an average 15% and helped reduce the final electricity charge starting May. However, as we experience around the world, global fuel prices have consistently been rising over the past year, offsetting any gains in the non-fuel charge.

Ultimately, Solomon Power's strategy to deliver affordable energy to its customers is to invest in renewables. While the pandemic has delayed Solomon Power's major energy investments such as its participation in the Tina River Hydropower Development Project, it remains committed to this national project. Moreover, I extend my sincere appreciation to the Australian government for the signing of the funding agreement to finance the transmission lines from Tina to Lunga Power Station. This important component will distribute the electricity to Honiara.

As a national SOE committed to its people, Solomon Power is extending its reach and network to all provinces. It will continue its goal of rolling out $1 billion worth of investments around the country over the next 5 years. This includes completing Solar-hybrid systems in most provinces, extended network lines. In 2021, Solomon Power has opened new offices in Gizo, Tulagi and Munda.

Solomon Power contributed and supported many community activities during the year as part of our corporate and social responsibility, and one such significant support is through our sponsorship of the Solomon Islands Football Federation's "Iumi Play Program" valued at $1 million. This project aims to develop young talent in all constituencies and provinces and help raise the country's football stars of tomorrow.

While Solomon Power is a commercial entity, it will continue to support its shareholder, the Government of Solomon Islands in its various development aspirations. During the year, Solomon Power purchased a $60 million bond from the government, which were subsequently sold on the domestic secondary market. It also paid dividends to government, as part of its board approved corporate dividend policy. On that note, I wish to thank our accountable Ministers; Minister of Finance and Treasury and Minister of Mines, Energy & Rural Electrification, for their continuous support to the Board and Management of Solomon Power during the year.

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

I once again thank the government, all stakeholders, partners, the management and staff, and Directors of the board for their cooperation to make it another successful year, 2021.

May God Bless Solomon Islands from shore to shore.

David K.C. Quan OBE
Chairman

Donald Kiriau
Chief Executive Officer

Chief Executive Officer's Letter

2021 has been a challenging, yet rewarding year for Solomon Power (SP). Operating in the second year of the coronavirus pandemic with the associated border restrictions, sluggish business activity, and the social unrest towards the end of the year has not been easy. Nonetheless, as a commercially and operationally resilient State-Owned Enterprise, Solomon Power has managed to continuously provide the service to the nation and remain financially successful.

Despite the weak operating environment, Solomon Power's customer numbers continued to grow by 10% to a total of 24,372 customers, many from low income households connected for the first time. Sales volumes were relatively flat at 0.5%, though total revenues trended up owing to the higher fuel prices that were fed into the tariff. Accordingly, total profits for the year was $74 million. Most of these profits are reinvested into the business to extend the network and, ensure a sustainable and quality service over the medium term.

Operationally, the power situation in Honiara and the outstations in the provinces were generally stable. While, some generators slated for overhaul did not eventuate due to border restrictions, overall generation capacity was maintained with no load shedding. Meanwhile, network faults due to system settings issues, faulty old underground cables, excavation activities and the November riots led to unplanned outages. As such, Customer Minutes Lost (CML) for the year was 3.82 million CML; a reduction by 5.5% compared to 2020.

Solomon Power's capital investment activities were progressed during the year. A total of 38 projects remain active at various stages of development, valued at $847 million. While, some have been delayed by the Covid border closures, contractual matters, and global supply chain issues, other line network extension works were completed in Western Province, Malaita, Temotu and Honiara. New provincial offices were commissioned, as well as civil works to provide flood protection for the Buala power station, and Solomon Power's contribution to the Japan funded Phase of 2 of the Honiara road works. Additionally, the widely successful World Bank funded OBA programme continued to gain steam, where 1,254 low income customers were energized during 2021, and contributes to achieving Solomon Power's aim of ensuring more communities access reliable and safe power supply.

The success of Solomon Power is a testament to our hard working staff. In 2021, there were 299 permanent staff. To boost productivity and ensure Solomon Power remains a good employer of choice, various human resource policies were reviewed, and both technical and administrative trainings were undertaken during the year. Moreover, as a safety conscious organization, Solomon Power strictly enforces health and safety measures and recorded a year with zero Lost Time Injuries. And in compliance to the government's Covid Regulations, a company-specific Covid Policy was endorsed by the Board in the fourth quarter of the year.

Looking ahead, Solomon Power has embarked on a new Strategic Plan 2022 - 2027 that is linked to our $1 billion capital expansion plan. This updated plan aims to chart Solomon Power's progress into a greener, leaner and more commercially sustainable company for the next decade. While the year ahead might be cloudy, there is a sense of optimism that once the country moves on from the pandemic, Solomon Power will be at the forefront to contribute to developing the nation through its investments in the economy and its grand vision of energizing the nation. On that note, I wish to express my sincere appreciation to my immediate predecessor, the former CEO, Mr. Pradip Verma for his leadership of Solomon Power for the past six years. I also thank the Chairman and the Board Directors for the steadfast leadership in providing strategic guidance to management. Moreover, special appreciation goes to our stakeholders and especially our accountable Ministries; Ministry of Mines, Energy and Rural Electrification, and Ministry of Finance and Treasury for their policy support and guidance during the year.

Finally, I extend my biggest thanks to our customers for their patronage in 2021. We look forward to another rewarding year in 2022.

May God Bless Solomon Islands, May God Bless Solomon Power

Donald Kiriau
Chief Executive Officer

ENGINEERING DIVISION

Power situation in Honiara was generally stable; however, outages were experienced due to network faults, protection issues and, the November riot and burning of Chinatown and parts of Ranadi east of Honiara. In March, a three (3) hour total outage was experienced in Honiara due to a fault on the 33KV underground cable near the White River Zone substation caused by an excavation machine. A similar outage was experienced during the same month when an excavator machine caused damage to the 11kV underground cable at Henderson east of Honiara.

Network outages in Honiara due to protection coordination issues were experienced during the month of August when a new protection relay setting was implemented at the Kola'a Ridge Zone Substation. The relay trip times at the Kola'a Ridge Substation 11kV feeders were higher than the trip times for the Honiara 11kV Feeders, which are set for Under Frequency Load Shed (UFLS) scheme and in the event of a fault on any of the11kv feeders from the Kola'a Ridge Substation, the Honiara feeders tripped before the Kola'a Ridge feeder. As a result, a number of 11kv feeders from Honiara Substation would trip, causing wider network outages. The situation was resolved after the Kola'a Ridge relays were set at instantaneous trip in the event of a fault on the feeders.

Another network outage, which affected a large number of customers and lasted for four and half days, was at Kombito and Gilbert Camp settlements from 28/09/2021 to 02/10/2021. The outage was due to a faulty 11kv underground cable, which connected two distribution transformers at Kombito and Gilbert Camp. As a temporary fix, a 200kVA transformer was installed at Kwaio Valley from which the Low Voltage (LV) system was powered; however, customers with large loads were advised not to switch on until the situation was improved. As a permanent fix, seven spans of 11kV overhead line was constructed to bypass the faulty 11kV underground cable, to restore power to the Kombito and Gilbert Camp distribution transformers.

The civil unrest in Honiara in November, which resulted in the burning of Chinatown and parts of Ranadi Commercial areas, also caused outages to parts of the network for several days. Parts of the network in the affected areas had to be disconnected from the power system for the safety of the public and of the network assets. At the Burnscreek area east of Honiara, the 11kV underground cable was damaged by fire and took about a week before power was restore in the area.

Other outages during the year were due to network faults and planned outages to enable maintenance and other works to be carried out on parts of the network.

As a result, outages recorded for Honiara showed 13.82 million Customer Minutes Lost (CML) compared with 14.67 million CML in 2020. This was a slight decrease of 0.85 million CML.

Travel restrictions due to Covid-19 had severe impacts on the delivery of parts and service engineers coming into Honiara to provide technical assistances in carrying out major overhauls on the larger generators at Lungga Power Station. As a result, most of the scheduled overhauls were delayed.

The overhaul of L6 Mirlees generator commenced in January but was not completed until April due to difficulties in getting in the remaining parts due to the impact of Covid-19 pandemic.

L9 Mitsubishi generator was under service due to a faulty Automatic Voltage Regulator (AVR) unit. A new unit was placed on order and the generator was returned to service in May when the new AVR was installed.

The team on site had to carry out the major overhaul of L8 Wartsila generator without the onsite assistance from Wartsila services engineers, as has been the case in the past. The overhaul took longer than expected due to unexpected issues encountered during the overhauls, in particular the failure of the oil cooler unit.

The extended 20000 hours major, overhauls of the MAN Diesel generators at Lungga Power Station were due at the third quarter of the year. However, they were delayed due to difficulty in getting the service engineers into Honiara as a result of the Covid-19 travel restrictions imposed in the country. As a result, L1 MAN generator was taken off service due to water leakage into the engine oil sump; an indication of generator parts exceeded their expected operated hours.

L9 Mitsubishi (4.2MW) generator experienced a major alternator fault in November as a result reduced the available generation capacity in Honiara by 3.5MW. Assessments carried out on the unit (alternator) indicated that it is beyond repairs and a new alternator had to be sourced. By year-end, the agent for the Mitsubishi generator was yet to provide a quote for a new alternator.

By the end of 2021, all generators at Lungga and Honiara Power Stations were operational except L1 MAN generator, which was under service due to water leakage into the oil sump; L8 Wartsila being under major overhaul and L9 Mitsubishi generator due to faulty alternator.

The network performance indicators for the year showed a decrease of the SAIDI to 86.1 minutes compared with 117.30 minutes in 2020. The SAIFI figure for 2021 however increased to 0.95 times compare with 0.39 times in 2020.

Honiara maximum demand peaked at 16.082MW on 12/11/2021, compared with 15.91MW in 2020. At the Outstations; Taro (77kW), Malu'u (33kW) and Tulagi (115kW) and Noro/Munda (1,175kW) recorded new peak demands during the year as a result of additional customers connected to the grids. At Noro/Munda, the increase of the demand from 1,010 to 1,175kW was mainly by connecting the National Fisheries Developments reefers on to the grid.

Major activities carried out by the Generation team at Lungga were the implementation of scheduled major services to the Honiara (Lungga and Honiara Power Stations) generators and those at the Outstations. These tasks included the completion of the rebuilding of L6 Mirlees generator (2.8MW) and the implementation of the major overhaul of L8 Wartsila (4.2MW) generator. In addition, the team was able to complete the major overhauls of two generators at Auki, three at Malu'u and two at the Noro Outstations.

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

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

The Distribution Operation and Maintenance teams attended to a number of major network faults in Honiara. The faults were due to faulty network equipment and faults caused by people using machines. The riot and burning of Chinatown and parts of Ranadi Commercial areas also caused disruptions to the network and the Distribution operations teams had to isolate parts of the network that were affected for safety of the assets and the general public.

The Distribution teams also provided technical and construction support to major network projects, including Supizae on Choiseul, Tisi and Titiana at Gizo, Tina Village in Central Guadalcanal and at Kirakira on Makira. Other major projects that the Distribution teams were involved in are the relocation of network assets along the road to Henderson and the upgrading of transformers and relocation of power lines at the Honiara International Airport upgrade sites.

Other activities were the installing of transformers and power lines to the South Pacific Games infrastructures construction sites at Panatina and KG VI. On the related development, the Distribution team installed a new transformer and power lines to the Solomon Islands National Institute of Sports (SINIS) complex at Ranadi.

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

The Regulatory Department continued to perform its regulatory functions by carrying out inspections of new and upgraded installations in Honiara and at the Outstations. The team also provided technical and regulatory supports to contractors and customers.

The department also assisted customers with standby generators to be licensed as required by the Electricity Act. By the end of the year a total of fifty-five (55) standby generator licenses were issued to customers with standby generators rated at 50kW and above.

Generation & Outstations

Power generation in Honiara was mainly from the Lungga Power Station and in particular from the new 10MW plant using the 4x2.5MW MAN Diesels generators. The balance of power requirement was from the old generators at the Lungga and Honiara Power Stations. Power generation in Honiara is also supported by a 1MW solar plant at Henderson, east Honiara and from a 50kW solar plant at the Head Office, Ranadi.

The extended 20000 hours major overhaul of the MAN Diesels generators were again delayed due to Covid-19 travel restriction into Honiara. As a result, L1 MAN generator had to be taken off service due to water leakage into the oil sump, and indication of the parts have exceeded their designed life span. Other units are also showing similar trends as L1 generator before it was taken off service. Efforts to do the overhauls were again stepped up by working on the Service Agreement with MAN Energy Solutions and seeking approvals from relevant authorities for the MAN Technicians to travel into Honiara to assist with overhauls.

The Generation team however started to working on the overhaul of L8 Wartsila generator towards the end of the year and continued on to early January 2022.

At the Outstations, power generation is predominantly by diesel generators for most sites whilst at Buala, a 150kW hydro supports the system there and at Seghe and Taro, the solar hybrids plants supply most of the power at the sites.

Other activities carried out by the Generation team during the year were the implementation of the scheduled overhauls of two generators at Auki, three at Malu'u and two at Noro Outstations

Distribution

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

Maintaining the reliability of the network in Honiara was a key priority for the team and this was managed by effective vegetation clearing and the timely implementation of planned maintenances and replacing of defective network equipment with new units.

Addressing the network faults was one of the activities undertaken by the Distribution team. These included the 33kV underground cable fault at White River, the 11kV underground cable at Henderson, the network fault at Kombito and Gilbert Camp and the network issues caused by the riot and burning of Chinatown in Honiara. Other network issues attended to were the faults caused by vegetation and faulty network assets.

At the Outstations, the team provided technical and construction supports to the new network extension projects at Titiana and Tisi (Gizo) and Supizae at Taro, North Choiseul.
Other project related activities were the installing of distribution transformers on the network to Tina Village as part of the Tina Hydro Community Sharing Benefit project.
In Honiara, the team also carried out major upgrade to the infrastructure to facilitate for the South Pacific Games development projects and the Honiara International Airport Terminal Upgrade Project at Henderson.

Outstations

Power generation at the Outstations was generally stable throughout the year with no total outage experienced.
Buala, Kirakira, Lata and Malu'u continued to generate power from generators installed prior to 2013, except the hydro plant at Buala, which was re-commissioned in 2016. Gizo, Noro, Munda, Tulagi and Auki generation plants were from the new Kohler Generators that were installed under the Outstations Generation Project that was completed in 2018. Taro and Seghe Outstations have continued to generate power from the hybrid mini-grids that were commissioned in 2018, with Taro operation at about 80% renewable and 20% diesel whilst the Seghe plant was 100% renewable.

On renewable energy projects at the Outstations, the commissioning of the Kirakira, Munda, Malu'u and Tulagi hybrid plants were delayed due to contractual issues. The Kirakira plant was however partially commissioned, which enabled the use of the diesel generator to supply power to the Kirakira Station.

Major 500 hours services were carried out on generators at Gizo whilst major overhauls were carried out on generators at Auki (2), Malu'u (3), Buala (1) and Noro (2).

Regulatory

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

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

By the end of 2021, 39 licensed electricians managed to revalidate their licenses of which 20 were from Solomon Power and 19 from private companies and some Government Departments.

In 2021, both the theory and practical assessment components of the licensing assessment were put on hold because of travel restrictions due to the Covid-19 pandemic.

Testing of new and used energy meters were carried out during the year. A total of 1,972 new energy meters were tested and 37 meters were for special tests.

Licensing of private generators rated at 50kW and above was carried out and by the end of the year, a total of 55 licenses were issued. The licensing of private power generators is a requirement under Electricity Act sec. 30 to ensure that the installations are in compliance to the wiring standards and for the safety of the installation and the users.

A total of 1,959 installations were energised compared with 1,829 in 2020.

Renewable Energy

The development of the 15MW Tina Hydropower Project in Guadalcanal Province was affected by the Covid-19 pandemic, as result the construction of the infrastructure is delayed.

Constructions of the solar installations at Munda (1.0MW), Tulagi (250kW), Kirakira (320kW) and Malu'u (140kW) were near completion, however could not be fully commissioned initially, due to the Covid-19 travel restrictions and as a result a contractual issue between Solomon Power and the Contractor became apparent. The solar project at Kirakira however was partially commissioned which enabled the use of the diesel generator to provide power to Kirakira Station. The above projects are under the Asian Development Bank (ADB) 2MW solar project to convert the existing diesel power stations at these sites to solar hybrid plants. CBS Power Solutions (Fiji) Limited was engaged to construct the installations at the five sites.

A contract was signed in 2019 between Solomon Power and Netcon Clay Energy JV for the construction of four new solar mini-grids at Hauhui, Namunga, Sasamunga and Vonunu. The New Zealand Government and Solomon Power jointly fund the project, with a total capacity of 815kW. Due to the effect of the Covid-19 pandemic, construction was not able to progress. Discussions on the future of contract was in progress by the end of the year.

A contract to construct the 2.0MW solar installation at Henderson, east of Honiara, was signed in January 2020 between Solomon Power and Eastwest Bluegas JV. The World Bank and Solomon Power will jointly fund the project. The construction of the project is delayed due to the effect of the Covid-19 pandemic.

Power System Reliability

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

The System Average Interruption Duration Index (SAIDI)
SAIDI defines the average interruption duration per customer served per year.
SAIDI = (Sum of Customer Interruption Durations / Total number of Customers served)
For Honiara, this was measured to be 86.31 minutes, compared to 117.30 minutes in 2020, a decrease (improvement) of 30.99 minutes.

The System Average Interruption Frequency Index (SAIFI)
SAIFI defines the average number of times a customer's service is interrupted during a year for longer than 2 seconds. A customer interruption is defined as one interruption to a customer.
SAIFI = (Total number of customer interruptions/Total number of customers served)
For Honiara, this was measured to be 0.95 times, compared to 0.39 times in 2020, an increase by 0.56 times.

The Customer Average Interruption Duration Index (CAIDI)
This a measure of the average number of times (minutes) that a customer is without power per interruption.
For Honiara, this was measured to be 108.89 minutes per interruption, compared to 303.20 minutes in 2020, a decrease (improvement) by 194.31 minutes.

Reliability & Efficiency

Power generation in Honiara was mainly from the more fuel-efficient MAN Diesel (4x2.5MW) generators commissioned in 2016. The balance of power generation was from the old generators at the Lungga and Honiara Power Stations. However, the outputs of the generators have de-rated to about 2.0MW due to inefficiency in their cooling systems. The de-rating of the generators is because of the delays on the scheduled overhauls due to impact of the Covid-19 and the travel restrictions.

With L1 MAN and L9 Mitsubishi and L8 Wartsila generators were of service by the end of the year, which resulted in the available generation capacity for Honiara reduced to 17.4MW against a peak demand of 16.082MW.

The implementation of G-1 operation criteria, the under frequency load shedding scheme on the 11kV Honiara feeders and the revised delayed time setting on the 11kV feeders at the Kola'a Ridge Substation has prevented cascading network outages due to faults on the 11kV feeders.

The delays in implementing the scheduled major over hauls of the MAN generators, the slow in completing of the L8 overhauls and the outage of L9 Mitsubishi generator due to the faulty alternator has drastically reduced the available generation capacity during the year. Despite of the above, the timely implementation of services, the regular inspections and monitoring of the generation plants equipment have maintained the availability of the operating generators at Lungga and Honiara power station.

The timely implementation of the major overhauls of the generators at the Outstations, in particular at Buala, Auki, Malu'u and Noro have improved the reliability of power at these Outstations.

The Honiara distribution network was generally reliable as a result of the effective inspection/monitoring and maintenance of the network infrastructures. An effective vegetation management across the Honiara and Outstations networks has also improved reliability of the networks. Outages experience in the networks were mainly caused by machines human activities, the riot in November and a defective underground 11kV cable at Kombito and Gilbert Camp.

Energy Produced

Energy produce in 2021 compared with 2017, 2018, 2019 and 2022 is as shown in the table below. Lungga and Honiara operations produced a total of 84.98GWh (86.7%) whilst the Outstations and the Henderson solar plant produced 11.67GWh (13.3%)

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

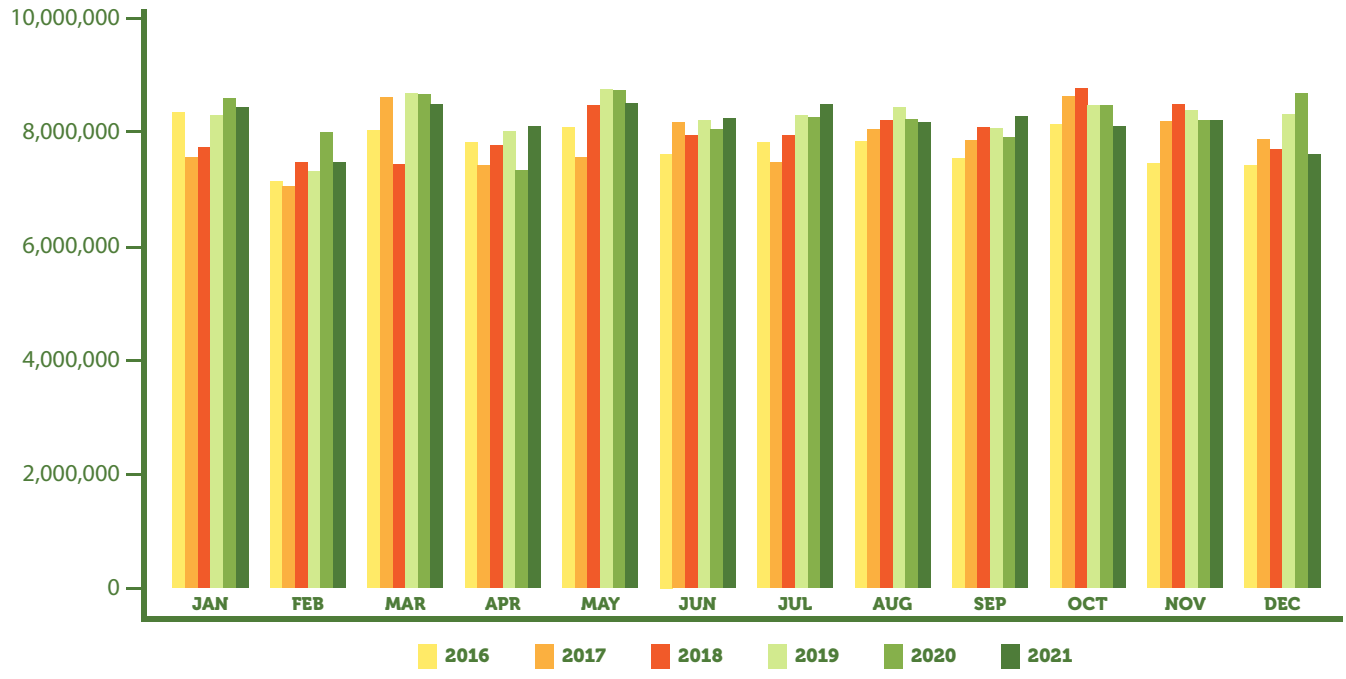
Maximum Demand

The demand for electricity in Honiara in 2021 peaked at 16,082 kilowatts compared with 15,913kilowatts in 2020, an increase of 269kilowatts.

Generation Statistics

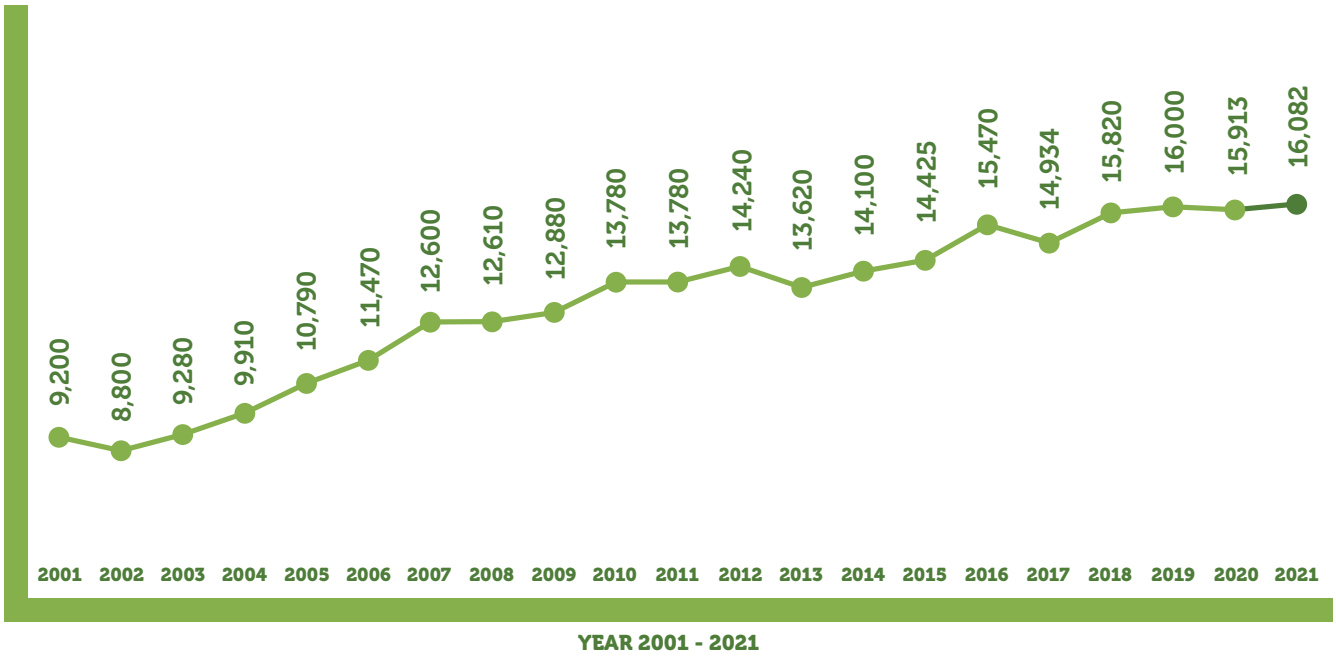
Energy produced by all stations in 2016 to 2021 is shown in the histogram below:

Energy Produced by All Stations from 2016 to 2021



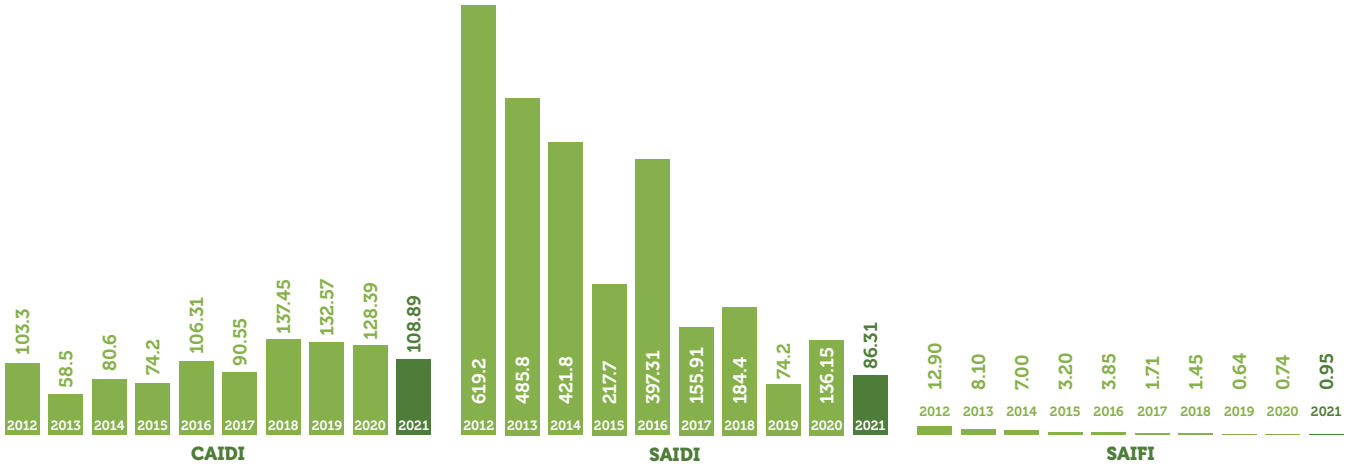
Honiara Peak Demand from 2001 to 2021 is shown in the graph below:

Honiara Peak Demand (kW) from 2001 to 2021



System Performance Indicators for Honiara from 2012 to 2021 are shown in the histogram below:

Summary of Network Performance Indicators for Honiara 2012 to 2021

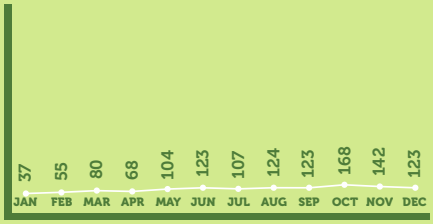


CAPITAL WORKS DIVISION

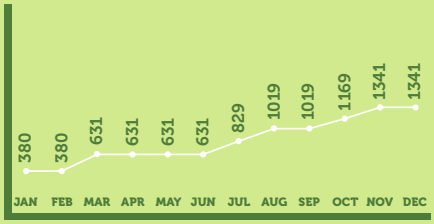
There were 38 active capital infrastructure projects underway in 2021, with three additional projects in the planning phase to the total value of $846.61 million. Of these, the following were accomplished during the year:

- Completion and commissioning of:
- 11kV/ 415V line network extensions at Titiana & Tisi in Western Province, Ferakusia in Malaita Province, Luova in Temotu Province
- Eight Adhoc Extensions for OBA customers
- Buala Flood Protection Civil Upgrades
- JICA Phase 2 Road Crossing Works
- New Office Buildings at Gizo, Munda, and Tulagi
- Contracts signed for the following projects:
- Construction Supervision Contract for Hybrid conversion projects at Kirakira, Tulagi, Maluu, Munda, and Lata.
- Bulk Order for up to two years' worth of distribution network materials
- Data Centre, Control Centre, Call Centre Building Project
- Supizai Network Extension Project
- Tisi Valley Network Extension Project
- Projects approved and awaiting contract signing in 2022:
- SCADA Protection Upgrade Project
- Optical Ground Wire Project
- Buala Electrical Upgrade Detailed Design Project
- Old Lungga Electrical Upgrade Project
- Ranadi Rooftop Solar Project
- Baolo Solar Hybrid Generation System Project
- Dala Solar Hybrid Generation System Project
- Bina Solar Hybrid Generation System Project
- Visale Solar Hybrid Generation System Project
- Tigoa Solar Hybrid Generation System Project
- Tanagai Solar Farm Project
- Tina 66kV Transmission Line Construction Project
- The following key projects were at various stages of progress in 2021 and are targeted for completion in 2022 - 2024:
- Tina River Hydropower Project – 66kV transmission lines and termination equipment at Lungga.
- Electrical Upgrade of Old Lungga Power Station
- Major relocation works and cable upgrades in Honiara power networks
- Housing Upgrade works in Auki
- New Office Buildings at Noro and Lata.
- Commissioning of 5 hybrid replacement generation systems for the existing Outstations at Kirakira, Lata, Malu'u, Munda, and Tulagi.
- Complete installations of Solar Hybrid Generation Systems at Hauhui, Namugha, Sasamunga and Vonunu.
- Detailed design & complete installations of Solar Hybrid Generation Systems at Baolo, Bina, Dala, Tigoa and Visale.
- Detailed design & complete installation of Tanagai 1 MW Solar farm
- Detailed design & complete installation of Henderson 2 MW Solar farm
- Buala Hydro Scheme Forebay repairs & electrical upgrade at its power station.
- Tina 66kV Transmission Line Construction Project
- Additional 11kV/415V Network Extension Projects
- Data and Control Centre Building at Lungga
- SCADA Master Station in Honiara
- Substation Protection Upgrades for SCADA in Honiara
- Honiara East Substation Enclosure
- OBA Programme.
- The OBA programme adheres to core OBA principles by enabling low-income households to access basic energy services and disburses subsidies to Solomon Power only after the access related outputs have been achieved and independently verified.
- Effective 1st April 2020, the programme has continued under component 2 of the SIEAREEP under which there is a grant funding of USD 2.5 million for connection to another 2,500 low-income customers, of which Solomon Power has already energised 2,262 connections under the current programme. Under SIEAREEP a total of 1,254 additional OBA customers were connected and energised in 2021.

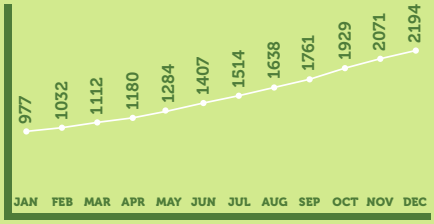
Energised OBA Connecitons Under SIEAREEP for 2021



NUMBER OF OBA CONNECTIONS PER MONTH



CUMULATIVE NUMBER OF PAID CONNECTIONS



COMMULATIVE NUMBER OF OBA CONNECTIONS

SPECIAL PROJECT & PLANNING DIVISION

The Planning department has reviewed and updated the generation, transmission and distribution asset development plans for all the outstations and Honiara for the next five year planning period. The department has progressed to launch the 10 and 20-year development plan of Solomon Power to get a better alignment with the long term strategy goals of Solomon Power in the provinces and Honiara, the Renewable Energy Road Map (RERM) and budgeting process.

During the year 2021, our team identified and executed sixteen detail survey works, where mapping and engineering reports were produced. Of these, five are for potential solar farm sites which comprised of two in Guadalcanal, one in Makira, one in Choiseul and one in the Western province. Eleven are for planned network extensions for a total of 1,007 potential customers, of these six (6) will be in the Honiara grid, three in the Auki grid, one in the Tulagi grid, and one in the Seghe grid.

The team recognizes that the need to increase the optimization and utilization of any system within the organization can be overcome through strong communications, engagement and training within various Solomon Power's divisions thus, in 2021 an Asset Management System Enhancement Committee was established in collaboration with key divisions to review and provide guidance to Solomon Power of future direction for successfully implementing an asset management framework and roadmap. The committee has commenced by recommending Entura consultant to start-off the Gap Analysis Studies following the review in the last quarter of 2021 and looking forward to formalize the contract in 2022 and further development on the asset framework and roadmap.

Technical supports were provided to both internal and external stakeholders by the planning team in the evaluation and pegging of Jericho 2, Forest Valley, Nine Ridge and Olofia network extension projects. Also completed two detailed survey works and assessment reports for potential customers under the 2021 OBA adhoc network extension and the upgrade design for the Kukum Highway Upgrade project corridor with MID and Kitano Construction Limited.

We are progressing the contingency study of Tina hydro reliability and its effects into the Honiara system in the future with Marsden Jacobs Associates (MJA). First and second progress sessions were completed with study scenarios modelling presented for review and fine tuning by Marsden Jacobs. Team also received the model and will provide further comments to Marsden Jacobs upon completing internal review in 2022.

As part of the company's capital budget outlook, a revised expenditure plan was developed for the Planning department in collaboration with the Capital Works team for the next five year planning period 2022-2026

The Planning department has obtained conditional approval for the purchase of a 1.32ha of land at Henderson Fighter 1 for grid connect solar farm development. Team will be following up on required information by the Board to meet the conditions and progress with the procurement of the land by 2022.

Team continue to receive letter of interest from communities in the provinces for a proposed solar hybrid system and network expansion development and acknowledged receipt of the letters and registered in the Planning database. This will be scheduled and assigned for pre-feasibility studies to be part of the medium to long term network development plans for the provinces. The GIS team under the Planning department has commenced the full Honiara network system update in 2021 and will continue in 2022 once Covid-19 does not pose any restriction on our field works. The department has also re-initiated the GIS data improvement process with other key divisions within Solomon Power and expect the GIS process rollout to be effective by 2022 and onwards.

The Planning department continues to grow in knowledge and confidence from various in house mentorship, online training sessions, live webinars and other stakeholders' presentations. Also succession planning activities were demonstrated throughout the year in terms of acting in the managerial role for few staffs within to ensure smooth operation of the department.

The team continues to identify, assess and advise on new technology that would improve the overall outcomes of the department and the organization as a whole.

The Planning department has updated all the network development plans for the Outstations and for Honiara for the next five year planning period. This included the identification and execution of seventeen detailed survey works, mapping and engineering reports. Of these, five are for potential solar farm sites within the Honiara grid. Twelve are for planned network extensions for a total of 1602 potential customers, of these four are in the Honiara grid, four are in the Auki grid, two are in the Noro-Munda grid, and two in the Lata grid.

The Planning department provided critical input in the formulation of a renewable energy roadmap for Honiara, which aims to achieve 100% renewable energy generation by 2030 where a final draft report has been published.

We updated the least cost modelling of future generation expansion options for the Honiara electricity system. Construction drawings were prepared for the proposed All-Dielectric Self-Supporting (ADSS) Fibre optic cable between Lungga, Henderson, East Honiara, & White River substations & Optical ground wire (OPGW) on the existing 33kV line between Lungga, Kola'a Ridge, & Honiara substations as part of the SCADA project.

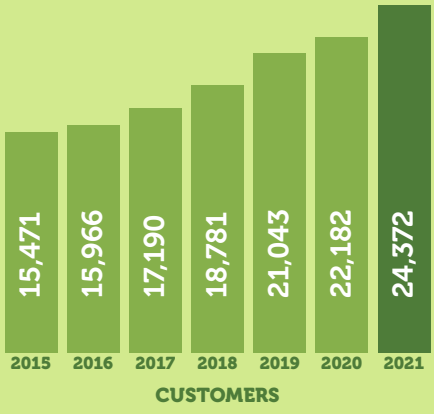
To encompass and enable a comprehensive outlook of the company's capital budget, a revised company expenditure plan was developed in collaboration with other key divisions for the next five (5) year planning period.

CUSTOMER SERVICES DIVISION

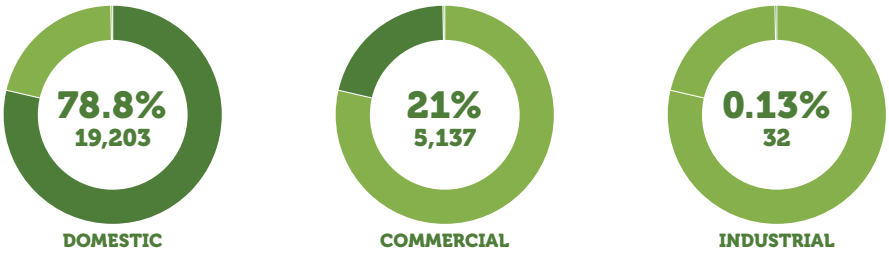
Customer Services Division is responsible for all customer issues, being the first point of contact for customers in terms of enquiries, reporting & follow-ups of meter/line faults, cashiering, through to connections and management of customer accounts and metering. Customer Services tasks are performed in Honiara as well as at the eleven Outstations namely Auki, Buala, Gizo, Kirakira, Lata, Malu'u, Munda, Noro, Seghe, Taro and Tulagi; all contributing to Solomon Power's vision to make electricity affordable and accessible to Solomon Islanders which is in line with the national objective to energise our nation by year 2050.

As at 31st December 2021, 24,372 customers were registered and connected to our Honiara and Outstations network as compared to 22,182 in 2020 and 21,043 in 2019. In terms of customer by tariff category for both postpaid & prepaid, 79% of customers are on the domestic rate while 21% are on the commercial & industrial rates.

Number of Customers 2015 to 2021



Customers by Tariff Category December 2021



For the postpaid category 73% are commercial & industrial customers and 27% are domestic customers. Commercial customers make up 16% of prepaid customers while 84% are domestic customers.

Post-paid customers are registered on the post-pay billing system called Utility Star Platinum (USP), a system put in place in June 2014. Prepaid customers commonly referred to as cashpower customers are registered on the upgraded Suprima Version 6.

2021 was the second year of the Covid-19 pandemic, however despite this, Solomon Power has progressed its programme to extend the electricity network in Honiara and at the Outstations in 2021, resulting in an increase in the number of customers by 10% compared to 2020. Community awareness sessions go hand in hand with network extension plans. In 2021, thirty-eight awareness programmes were held throughout the nation. The awareness sessions cover a variety of topics, including process for applying for connection, Safety and Tariff & Charges for supply of electricity.

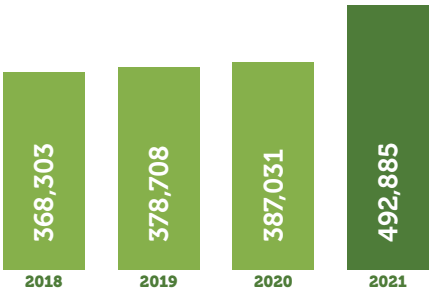
In May 2021, the Electricity Tariff (Base Tariff and Tariff Adjustments) Regulations 2016 was repealed. Base Tariff was also amended. As a result of the change in Regulation, most customers were able to see a reduction in Non-Fuel Charges compared to 2020. Our Charges for Supply of Electricity are published on a monthly basis in the newspaper and on our website. www.solomonpower.com.sb.

To assist prepaid customers with payment options, we signed agreements with three vendors to be Prepaid Electricity Token Distributors. They were Aelan Digital Services (ADS) Limited, Bred Bank & IumiCash Limited. Bred Bank & Iumi Cash will enable customers to topup their cashpowers from their phones in the comfort of their homes or offices. The arrangement with ADS on the other hand will enable their agents to issue tokens to customers. They join Bank South Pacific, Pan Oceanic Bank & Solomon Postal Corporation's EziPei to provide that service. These platforms supported Solomon Power, throughout the various planned mock lock-downs in Honiara. In 2021, we saw an increase by 37% mobile topup cashpower transactions from 387,708 in 2020 to 492,885. As at end of 2021, 54% of cashpower transactions were conducted through these vendors.

Total Customer Count by Location & Category December 2020

Location	Postpaid	Prepaid	Total
Honiara	1,656	16,852	18,508
Auki	142	1,502	1,644
Gizo	100	930	1,030
Noro	82	654	736
Munda	29	581	610
Tulagi	34	219	253
Kirakira	32	255	287
Buala	37	235	272
Lata	37	248	285
Malu'u	20	367	387
Taro	18	218	236
Seghe	6	118	124

Mobile Topup Cashpower Transactions 2018 to 2021



In 2021, we continued with Covid-19 protocols of restricted & controlled entry to our Hyundai Mall & Ranadi Offices. Postpaid customers were encouraged to utilise Solomon Power's other ways of making payings which included Internet Banking payments through ANZ, BSP, Bred Bank as well as Direct Deposit/Transfer into Solomon Power Accounts at ANZ & BSP. Our postpaid customers were asked to sign up with Solomon Power for Arrears Arrangements if they were unable to repay in full their monthly payments when it falls due.

In May 2021, we implemented Bill Emails for our Postpaid Customers. Nearly all of the invoices for customers in Honiara are sent electronically to customers.

Customer applications for new connections was a priority for us. And we have continued to streamline our processes to ensure customers are connected in a timely manner.

Our call centre numbers 166 & 167 continue to operate 24 hours a day seven days a week.

The Customer Services Division benefited from various training exercises conducted in-house as well as other Online Training sessions and webinars. There were also various succession planning activities carried out throughout the year, ranging from on job training, job rotation and acting in a senior role. In 2021, we bid farewell to Mrs Jan Sanga, General Manager Customer who retired after serving Solomon Power for over 15 years.

Apart from training, the division's policies and processes were continually developed and updated, to ensure that our quality commitments to our valued customers are met.

During the year, we protected our revenues by ensuring accuracy of our meters in customer premises. In April 2021, all meters in Auki & Malu'u were inspected, and records were also reviewed to ensure customers are billed correctly. Non-Technical Losses as at end of 2021 was 6%. Discrepancies, illegal bypasses & faulty meters were addressed in a timely manner.

FINANCE DIVISION

In a challenging year, Solomon Power demonstrated its financial resilience by not only maintaining profitability but also maintaining high liquidity and low leverage that allow debt-raising capacity for the company.

During the year:

- Net Profit re**$75** million
- Solomon Power declared and paid dividend of $4 million for 2020 financial year to our shareholder.
- Cash and cash equivalent as at year-end was **$305.15** million.

- Return on equity and return on assets of **10.3%** and **8.8%** respectively.
- Generation costs per kWh was **$1.89 (US $0.2428 per kWh)**.
- Fuel cost, being **45.4%** of our costs, has increase in comparison with 2020.
- Capital Infrastructure was funded using retained earnings (new Solar Hybrid Outstations, Outstations' Generation Upgrade, 11kV and 415V network extensions, upgrade to properties), loan and grant funding (Solar Hybrid Projects and Output Base Aid)
- Revaluation of land and building resulted in a net unrealised gain of $71.72 million.
- Five yearly tariff review completed and a new reduced tariff was implemented and effective from May 2022.

INFORMATION, COMMUNICATION & TECHNOLOGY DIVISION

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

- Supporting the full suite of business applications for: Finance, Corporate Services, Customer Services, Administration, Distribution, Generation, Capital Works and all operational software needs;
- Provision of communications network connections to offices and power house sites across Honiara;
- Providing links to the current 11 Outstations in the Provinces at: Auki, Buala, Gizo, Lata, Kirakira, Malu'u, Munda, Noro, Seghe, Taro and Tulagi;
- Connecting all full-time staff and additional contractors and service providers;
- Managing Desktop PCs, Laptops, Printers and Telephones for department operations;
- Running 21 Production and 18 Disaster Recovery (DR) servers across two Data Centre environments; and
- Managing 160 Terabytes of storage space for corporate information.

As part of the development for a growing organisation, the ICT Group has continued working on upgrading all of Solomon Power's IT Platforms

We have in 2021:

- Upgraded Microsoft Office software licenses to 2016/19 for computers.
- Procured and installed 70 new desktops and laptops, due for replacement.
- Continued to upgrade ICT Network devices (Radios, Switches, UPS, Wifi) to standardise infrastructure and maintain performance.
- Commissioned Solomon Power network solutions at proposed sites.
- Closed out successfully the outsourced Solomon Power ICT Server and Network Administration Services contract with Greymouse Ltd. These services had been managed by the contractor for over 10 years. They will now be managed in-house by the Solomon Power ICT Department.
- Implemented Solomon Power VPN (Virtual Private Network) links for staff to remotely access the network and systems.
- Procured and implemented a New NAS (Network Attached Storage) to meet Solomon Power's growing data storage requirements.
- Implemented 'Security Onion' as our Network Security Monitoring (NSM) tool.
- Installed alternative communication

links at Buala and Kirakira offices.

- Set up secondary online email accounts setup for key Solomon Power staff.
- Installed additional Zoom and Video-Conference facilities in the Solomon Power Training Room and Mezzanine Meeting Room at Head-office.
- Completed the rollout of the e-copy Payslips. Staff can now receive their payslip via email, thereby saving costs on productivity, paper, toner, wear and tear and shall reduce our carbon footprint.
- Implemented Time-clocks for staff attendance and payroll calculation purposes at Taro, Gizo, Noro, Munda, Buala and Auki. Data is synchronised back to servers in Honiara, in real-time.
- Assisted Payroll in migrating the ANZ old disk pay system to use instead ANZ Online and Trans active Banking for payroll processing.
- Implemented a new utility tool to greatly improve the processing time involved in preparing the payroll for those staff with BSP bank accounts.
- Upgraded Microix systems to the current version 2021.001.4.
- Provided technical system support to close out the Bmobile contract for selling of Solomon Power Cashpower units and implemented setup for the new cash power vendors Aelan Digital Services Ltd and Bred Bank, in Suprima (Solomon Power Cash Power System).
- Completed testing phase of the Staff Leave Application and Approval Process automation using existing systems: Microix Workflow Timesheets and the MIP Human Resources module.
- Completed the Proof of Concept testing for the Solomon Power Call Centre Phone system Project.
- Revived the SharePoint Project as a Content Management Tool for Solomon Power. This was trialled with the Special Projects and Planning Department.
- Implemented procedures for monitoring and managing of ICT Contracts and Service Licence Expiry Dates.
- Conducted the BIA (Business Impact Analysis) and begun reviewing the BCP (Business Continuity Plan) for Solomon Power.
- Worked with the Internal Audit Section to compile a SP ICT Risk Register and Action Item Plan.
- Undertook an ICT Workforce Planning exercise.
- Advertised and recruited for the new ICT role of Network Support Engineer.
- Conducted the annual Cyber Security Awareness and Training for Solomon Power staff.
- Set up a new storage container for ICT equipment as the old storage room urgently needs maintenance.
- Implemented a trial off-shore data back-up and recovery systems for Solomon Power's key data.

We will in 2022 be:

- Progressing the rollout of the Time clocks to other Outstations (Kirakira, Lata, Tulagi, Seghe and Malu'u).
- Progressing the delivery of the Fibre Optic MOU Exit Project. This includes the installing of alternative links to Malu'u, Seghe, Munda and Taro.
- Progressing the delivery of the New Data Centre Project at Lungga.
- Progressing the delivery of the Call Centre Project.
- Implementing to Production (live) the automated Staff Leave Application and Approval Process.
- Expanding and setting up Solomon Power network solutions at proposed sites.
- Procuring and providing of fifty (50) new laptops required for staff.
- Delivering the proposed BCP (Business Continuity Plan) for Solomon Power, which includes the commissioning of two new servers procured and testing of the DR (Disaster Recovery) Failover process.
- Fully implement the identified ICT Risk Control and BCP measures.
- Implementing the technical support to have Umicash transacting as Solomon Power's sixth Cash Power vendor.
- Developing further the new income streams for Solomon Power through the use of the ICT infrastructure or assets.
- Implement further the use and training of Share-Point Content Management tool for Solomon Power.
- Review the current outsourced Solomon Power Website support services and look to having this service provided in-house, through the ICT Department instead.
- Contribute to the planning and implementing of the Solomon Power Asset Management Project for Generation, Transmission and Distribution Assets.

CORPORATE SERVICES DIVISION

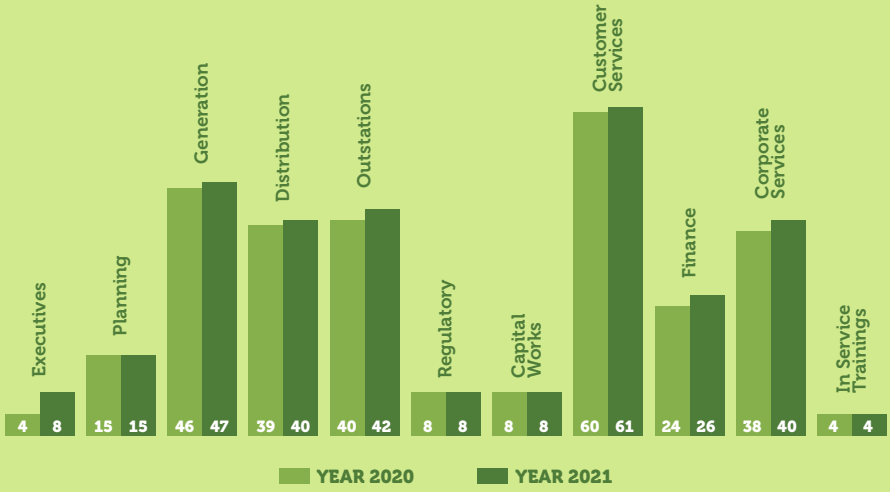
The Corporate Services Division provides operational support services to other Divisions across the organization through its Human Resources, Business Administration, Health, Safety, Security & Environment, Lands, Buildings and Fleet and Internal Audit.

1. Human Resources and Business Administration

At the end of 2021, Solomon Power had a total number of 299, permanent employees, compared to 286 at the end of 2020. This was an increase of 4.5%.

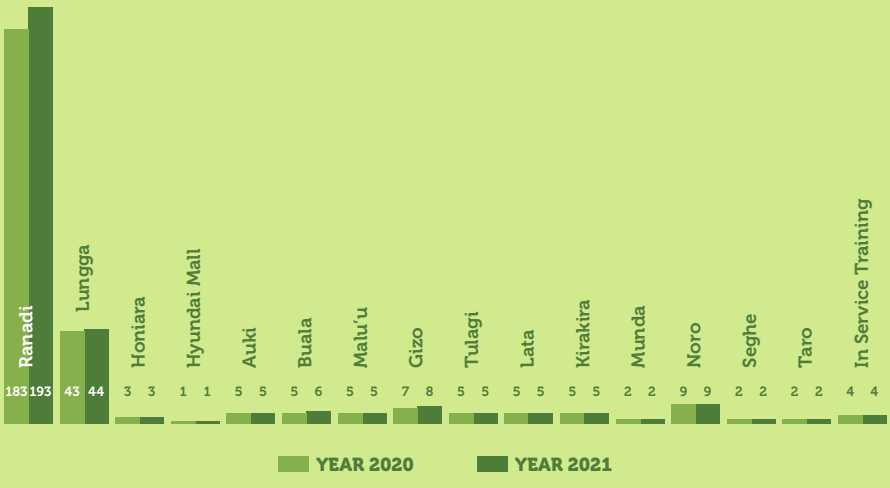
The graph below shows the number of permanent employees by divisions at the end of 2021, compared to the end of 2020.

Employees by Divisions



The graph below shows the number of permanent employees by locations at the end of 2021, compared to the end of 2020.

Employees by Location



Highlights in 2021

- Establish Solomon Power Corporate Strategy Plan 2022 – 2027
- Launch New Corporate Uniforms & Friday Wear
- Iumi Play Sponsorship of $1m to Solomon Islands Football Federation

- Continuous use of the online recruitment using the Harmonise system. This has been used since June 2020.
- Review of the following policies in the Human Resources and Procedures Manual (HRPPM)
  - Extra Duty Allowance Policy
  - Height allowance Policy
  - Medical Assistance Policy
  - Travel Assistance Policy
  - Housing Allowance Policy
  - Staff debtor Policy
  - Procedures to purchase Solomon Power issued items
- Appointment of key roles such of Chief Executive Officer, Chief Financial Officer, General Manager Customer Services and General Manager Corporate Services. Also renewal of the contract of the Chief Engineer for another term of 12 months.

The Solomon Power Covid-19 policy was approved by the Board for implementation. The policy offers guidelines to management on how to minimize the transmission of Covid-19 in any Solomon Power workplaces, or facilities and by the employees. Also to comply with the government policy in terms of containing Covid-19 in the country.

Training & Development

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

Long-Term Training:
Twenty-one (21) employees continued with their long-term study programmes in 2021, in the following areas:

- Bachelor in Accounting and Public Administration
- Bachelor in Electrical Engineering
- Masters of Business Administration
- Certificate IV in Electrical Technology
- Certificate IV in Automotive Engineering (Heavy Plant)
- CPA Foundation
- CPA
- Diploma in Construction
- Diploma of Project Management (Level 5)
- Bachelor of Commerce in Accounting and Management and Public Administration.

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

- Protection Relay Setup and Testing
- SEL Relay 751A
- The Project for introduction of Hybrid Power Generation System (HPGS) in Pacific Island Countries
- Training for Integration and O&M of Renewable Energy (RE)
- National Gender Equality and Women Development Policy National Stakeholders Taskforce Workshop
- Financial Management Workshop - Project Financial Due Diligence
- Essential First Aid & Refresher
- ADB Procurement Policy and Procedure
- Gender Awareness Workshops
- Fires Drill Refresher
- Procurement
- Chemical Handling and Spillages
- Directorship
- Microsoft Word & Excel 2016 Essentials
- Women in Leadership for Accounting and Finance Professionals Series
- Leadership, Critical Thinking and Adaptability
- Corporate Induction and On boarding
- Social Media Masterclass
- HRPPM Policy awareness
- Graphics
- Influencing and Negotiating for Finance Professionals
- Professional Certificate of Competency in Power Distribution
- Managing Employee Performance
- Managing Cybersecurity Privacy Risk
- Enterprise Risk Management Workshop
- Certified Complaint Handling Excellence (CCHE)
- Cisco CCNP ENCOR, ENARS & ENSLD
- Cleaning Knowledge, Skills and Event Service

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

One of the focus in 2021 was challenging all divisions and their respective departments with the "Zero Harm" commitment. HSSE officers, had increased HSSE activities at sites to help achieve this aim. Consequently, Solomon Power operations had managed to maintain a zero Lost Time Injury record for 2021 consequently resulting in zero Work lost days. Records are tabulated on Solomon Power Injury records table below.

Year 2021, also saw the organization of exercise and fitness programs every Thursday at the Betikama school sports ground for Honiara staff. The weekly exercise is a roll over from the 2021 Queen's Birthday Team Building Games and had come about after a wide NCD medical checks with Solomon Power staff by HCC Health and MHMS teams in the provinces.

In November 2021, as a result of political rioting in Honiara, security personnel had to be increased to protect all Honiara facilities. Our contracted security firm (Focus Security) with the support of some Solomon Power employees managed to ensure that no damages were done to key Solomon Power property and assets.

Covid-19 pandemic which affected the world had also impacted the work of Solomon Power. At the end of 2021, the country had been able to stop the community transmission. Hence, Solomon Power was not really impacted in terms of health and safety matters.

Some Highlights for year 2021

- HSE site inspections continued in 2021 for all Solomon Power operational sites. A number of follow up work will be undertaken in 2022 to rectify issues observed and documented at the sites.
- 95 base hearing tests were done with the Power Station Operators and other Generation Division staff in Honiara as well as the outstation sites. This was planned to verify the current hearing conditions of Solomon Power, Power Station workers and identify mitigation factors to support concerned staff of their conditions.
- 200 NCD (Non-Commutable Diseases) base checks were done. These checks identified high health risk staff who were advised to undergo the Covid-19 vaccination if had not taken a dose yet.
- Undertaken various awareness programs for Solomon Power staff on community security, Covid-19 transmission and prevention, non-communicable diseases (NCDs) and breast cancer. Officers of the Royal Solomon Islands Police Force (RSIPF) and the Ministry of Health and Medical Services (MHMS) conducted the awareness.
- Emergency Drills scheduled for the Honiara based locations were conducted. Plans to involve the national fire department and other national ancillary were not possible due to them not being responsive to our request and follow-ups.
- Scheduled Fire protection equipment servicing and inspections were done for all sites. A good number of fire protection equipment will be replaced as part of ongoing HSE improvements.
- Collaborative audits were undertaken with South Pacific Oil (SPO) team at various Solomon Power sites. This was a normal schedule for SPO for their facilities with Solomon Power operation sites.
- The HSSE department managed to conduct 26 electrical Safety awareness in schools and surrounding communities, 26 HSE trainings with Solomon Power staff at our 9 outstations, 21 risk assessments with operational tasks, established and commenced to distribute the Injury record booklet and the Take 5 booklet.
- The Ministry of Environment, Conservation, Climate Change and Disaster Management conducted their annual monitoring and inspection with Solomon Power on the 2nd of November. Chief inspector and another associate visited the Henderson Solar Farm, Lungga and Honiara Power Stations as part of the year's inspections.
- 21 inductions were conducted this year for Solomon Power employees, contractors as well as visitors. This included inductions at the outstations where HSSE officers travelled to the locations to conduct.

Solomon Power Injury Records Table and Graph

2021	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Cum.
Lost Time Injuries (LTI's)	0	0	0	0	0	0	0	0	0	0	0	0	0
Lost Work Days (LWD's)	0	0	0	0	0	0	0	0	0	0	0	0	0
LTI Frequency Rate (LTIFR)	0	0	0	0	0	0	0	0	0	0	0	0	0
Injury Severity Rate (SR)	0	0	0	0	0	0	0	0	0	0	0	0	0
Hours Worked	40,786.5	48,880.95	48,934.20	46,514.85	52,609.65	71,495.65	47,374.90	51,407.30	50,916.30	52,158.52	48,863.65	69,822.60	629,765.07

Injury Benchmarking

Australian Standard (AS 1885)

Lost Time Injury Frequency Rate (LTIFR) = $\frac{\text{Number of occurrences in the period x 1,000,000}}{\text{Number of hours worked in the period}}$

Injury Severity = $\frac{\text{Number of lost work days in the period}}{\text{Number of injuries in the period}}$ (2021 Target – 1.99)

3. Lands, Buildings & Fleet

Land

Solomon Power continued with two major land registration in 2021. However, registrations of the two land were not possible. This will be continued in 2022.

New Office Buildings

New office Buildings for Gizo, Munda and Tulagi were successfully completed and commissioned in late 2021. The impacts of Covid-19 slowed down the progress of Noro and Lata Office Building Projects. The delay was mainly due to materials not being able to reach the destinations in time. These two Projects will be continued in 2022.

Fleet

Total number of vehicles as of December 2021 was 89. This is an increase from 87 in 2020. A total of eleven (11) vehicles were phased out in 2021. The custodians of the vehicles were given the opportunity to buy the vehicles. Their employment contracts were amended to reflect that garaging of vehicle is no longer part of their benefits.

4. Internal Audit

The TeamMate Audit Management System's automatic email notification/ remainders has been set up. The system sent automatic email notification to auditees/managers that were assigned audit recommendations reminding them to update/provide status of the recommendations assigned to them in the system. This usually happens few days before the agreed implementation date. The email notification provide link for the managers to access the system themselves and update the status of the recommendations.

Training were undertaken for some executive management and managers in order to familiarise themselves on how to use the system. Currently, Managers have been accessing the system and providing their feedback on the status of the recommendations that they were tasked with to implement. This improvement made to the system has been very efficient and effective to monitor the audit recommendations.

LEGAL DIVISION

Legal Division provides in-house legal services to Solomon Power on a wide range of matters, from contractual/transactional matters to litigation/dispute resolution, as well as compliance with applicable laws. A highlight in 2021 was the successful signing of financing agreements with AIFFP and EFA for the development and construction of a 22km transmission system to deliver renewable energy generated by the Tina River Hydropower Project to Honiara. The Legal Department, in collaboration with other departments, was actively involved in the negotiation and drafting of the terms and conditions of these agreements.

High Court

There were three cases pending before the High Court in 2021. One case in which Solomon Power was the claimant settled. Of the two cases in which Solomon Power was the defendant, one case has been stayed, and the other case is currently ongoing.

Trade Disputes Panel

No case was filed against Solomon Power in 2021. One case regarding an unfair dismissal claim is currently pending delivery of judgment since 2020.

CORPORATE GOVERNANCE PRACTICES

Role of the Board

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

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

Composition of the Board as at 31st December 2021

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

Name	Position	Appointment	Term	Status
Mr David K.C. Quan, O.B.E	Chairman	19 February 2019	3 years	Current
Ms Muriel Ha'apue-Dakamae	Director	17 December 2018	3 years	Expired
Mr James Apaniai	Director	17 December 2018	3 years	Expired
Mr Rovaly Sike	Director	17 December 2018	2 years	No Replacement Yet
Mr John Bosco Houanihau	Director	17 December 2018	2 years	No Replacement Yet

Directors' Duties

The roles and duties of the Directors are defined in regulations 17 to 27 of the State-Owned Enterprise Regulations, 2010. A key responsibility of the Directors is to achieve the principal objective of the Authority as stated in Section 5 of the SOE Act. The principal objective of every State-Owned Enterprise shall be to operate as a successful business and, to this end, to be:

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

b). A good employer; and,

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

Statutory Duties of the Board

In addition to the above duties, the Board of Directors of Solomon Power (SP) collectively and individually have agreed on the fulfilment of the following duties towards the company:

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

Fiduciary Duties of Directors

The Directors of Solomon Power also owe the following duties to the company. These fiduciary duties form the code of ethics of Solomon Power. A fiduciary relation imposes an obligation of utmost good faith on Directors by putting the interests of the Company first, and the Solomon Power 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 10 meetings during the financial year, which ended 31st December 2021. Of these, six (6) were scheduled meetings and the rest extra-ordinary meetings. The regular business of the Board covers corporate governance, financial performances and risk management, business investment and strategic matters.

Board Committees

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

Board Secretary

Mrs Natalie Kairi

Audit, Finance, Governance & Risk Sub-committee

Membership:

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

Number of meetings: **4**

HR Sub-Committee

Membership:

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

Number of meetings: **4**

Technical Sub-Committee

Membership:

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

Number of meetings: **4**

energising our nation

VISION
Energising Our Nation

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

VALUES
Respect for our customers and our people.

Improvement through Change and Innovation.

Meeting our Service Quality Commitments.

Care for the Environment.

Individual Responsibilities for our Action

Honesty and Trust

Teamwork

Contents
Financial Statements

Directors' Report

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Solomon Islands Electricity Authority ("SIEA" or "the Authority"), trading as Solomon Power, as at 31st December 2021 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and report as follows:

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

Name
David K.C. Quan O.B.E - Chairman
James Apaniai
John B Houanihau
Muriel Ha'apue-Dakamae
Rovaly Sike

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 31st December 2021, statement of comprehensive income, statement of changes in equity and statement of cash flows of SIEA for the year then ended.

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

Results
The total comprehensive income for the year was $146,039,832 (2020: $75,164,011).

Dividends
The Directors have not declared a dividend for the financial year ended 2021, however $4,000,000 was declared and paid during the year relating to 2020 (2020: $5,000,000).

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

Assets
The Directors took reasonable steps before the Authority's financial statements were made out to ascertain that the assets of the Authority were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.
At the date of this report, the Directors were not aware of any circumstances which would render the values attributable to the assets in the financial statements misleading.

Transfer from Asset Revaluation Reserves to Retained Earnings
The Directors resolved to transfer $169,757 (2020: $2,742,493) from asset revaluation reserves to retained earnings as a result of de- recognition of assets during the financial year.

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

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

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

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

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

Significant Events during the Year
Covid-19 has continued to impact almost all sectors of the Solomon Island economy and the electricity sector is not immune to its effects. In the electricity sector, there has been a slight decline in consumer demand.

Not withstanding this, SIEA's operations have remained relatively resilient to Covid-19. The entity's generation and distribution assets both in Honiara and in the Outstations have been operating largely unaffected during the year. Whilst border access has been severely restricted and caused some delays to capital projects and the overhaul of generators, the programme network extension in Honiara and at the Outstations progressed as planned.

In November 2021, what has started as a peaceful protest against the government turned violent as protesters, burnt down and looted shops and commercial buildings. Over one hundred of our commercial and domestic customers' properties were burnt down and most remain off-grid. This has only had minimal impact on our revenues.

The Authority has reviewed the assumptions adopted in the asset valuation processes in the context of the potential impact of Covid-19. Currently, it is not expected that Covid-19 will have a material, adverse

impact on SIEA's operations or the carrying value of its various assets. This is largely due to the long-life nature of these assets.

Subsequent Events
Subsequent to year-end, the country recorded its first community transmission of Covid-19 in January 2022 and as at the date of this report, the country is experiencing widespread community transmission of Covid-19. In response to this, the Solomon Islands Government has implemented various measures, which includes restricted movements, curfews and lock-downs amongst other measures. While the ultimate disruption caused by the outbreak is uncertain, it may result in an adverse impact on the SIEA financial performance, position and cash flows, should it result in ongoing economic downturn.

SIEA continues to monitor developments in the Covid-19 pandemic and the measures being implemented on the economy to control and slow the outbreak. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the related impact of SIEA's future results of operations, cash flow and financial condition cannot be reasonably estimated at this stage and will be reflected in SIEA's 2022 annual financial statements.

Late in February 2022 and up to the date of this report, the ongoing war between Russia and Ukraine and the associated sanctions from Western Countries and the USA has seen a significant spike in the global oil prices. Though recently we have seen downward pressure on the prices, the situation remains uncertain and its impact on World Oil prices remain volatile. SIEA as a price taker is exposed to this oil price volatility. Fuel cost is passed to the customer. The tariff is consequently expected to rise significantly if the rise in fuel cost is not subsidized. Hence, customer behaviour and buying patterns may change because of the high tariff forecasted, thus having a negative impact on SIEA's revenue. Management has written to the Solomon Islands Government (SIG) for Goods and Sales tax relief on fuel and is in discussion with SIG to minimize the impact of high fuel price on the tariff.

Dated at Honiara this 30th day of March 2022.

Signed in accordance with a resolution of the Directors.

Director

Director

Solomon Islands Government

Solomon Islands Office of the Auditor-General

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

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Solomon Islands Electricity Authority (the Solomon Islands Electricity Authority) which comprise the Statement of Financial position as at 31st December 2021, and the Statements of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 29.

In my opinion the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31st December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of opinion

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

Other information

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control,
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of roy auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit,

Report on Other Legal and Regulatory Requirements

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

In my opinion:

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

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

David Dennis
Auditor-General
30th March 2022

Statement of **Profit or Loss** and **Other Comprehensive Income**

For the year ended 31st December 2021

	Notes	2021	2020
		$	$
Operating income			
Electricity sales	6 (a)	451,094,838	438,602,254
Amortisation of deferred income	19	8,254,407	7,912,793
Other operating income	8	7,855,479	6,036,746
Total operating income		**467,204,724**	**452,551,793**
Expenses			
Generation and distribution	9	221,360,790	193,956,700
Administration	10	65,819,049	68,004,504
Operating	11	25,120,409	25,900,773
Depreciation and amortisation	13	67,633,604	68,271,394
Depreciation of right-of-use assets	23	4,364,342	4,034,902
Interest expense		1,519,709	1,211,154
Inventory and asset write-off		622,523	13,686,603
Credit impairment charge	16	6,386,232	2,630,743
Impairment decrement - property, plant & equipment	13	278,515	-
Total expenses		**393,105,173**	**377,696,773**
Gain from operations		**74,099,551**	**74,855,020**
Foreign exchange gain		222,383	308,991
Net profit for the year		**74,321,934**	**75,164,011**
Other comprehensive income			
Revaluation increment - property, plant & equipment	13	71,717,897	-
Total comprehensive income for the year		**146,039,831**	**75,164,011**

The notes disclosed on pages 37 to 61 are an integral part of the financial statements.

Statement of **Financial Position**

For the year ended 31st December 2021

	Notes	2021	2020
Assets		$	$
Current Assets			
Cash and cash equivalents	14	305,161,911	287,715,658
Inventories	15	59,400,027	58,274,089
Receivables	16	65,009,253	61,170,200
Prepayments		15,948,459	10,938,231
Total current assets		**445,519,649**	**418,098,178**
Non-current assets			
Property, plant and equipment	13	1,134,986,283	1,016,645,806
Right-of-use assets	23	6,199,391	9,372,122
Government bonds	17	70,000,000	70,000,000
Total non-current assets		**1,211,185,674**	**1,096,017,928**
Total assets		**1,656,705,323**	**1,514,116,106**
Liabilities			
Current liabilities			
Deferred income	19	8,254,407	7,912,793
Trade and other payables	20	38,006,766	41,261,564
Lease liabilities	23	1,640,980	3,549,946
Borrowings from SIG	21	2,802,313	2,802,313
Employee benefits	22	2,716,880	2,067,344
Total current Liabilities		**53,421,346**	**57,593,960**
Non-current liabilities			
Deferred income	19	136,457,859	129,891,315
Lease liabilities	23	1,126,723	2,625,414
Borrowings from SIG	21	15,176,609	17,888,282
Employee benefits	22	17,464,354	15,098,534
Total non-current liabilities		**170,225,545**	**165,503,545**
Total Liabilities		**223,646,891**	**223,097,505**
Equity			
Contributed capital	18	246,933,170	246,933,170
Asset revaluation reserve		445,427,015	373,878,875
Accumulated profit		740,698,247	670,206,556
Total equity		**1,433,058,432**	**1,291,018,601**
Total equity and liabilities		**1,656,705,323**	**1,514,116,106**

Signed for and on behalf of the Board of Directors

Director

Director

The notes disclosed on pages 37 to 61 are an integral part of the financial statements.

Statement of **Changes in Equity**

For the year ended 31st December 2021

	Contributed Capital	Asset Revaluation Reserves	Accumulated Retained Earnings	Total
	$	$	$	$
Balance at 1st January 2020	**246,933,170**	**376,621,368**	**597,300,052**	**1,220,854,590**
Total comprehensive income for the year				
Net profit for the year	-	-	75,164,011	75,164,011
Disposal of revalued property, plant and equipment	-	(2,742,493)	2,742,493	-
Transactions with owners of SIEA directly recognised in equity				
Dividend paid during the year	-	-	(5,000,000)	(5,000,000)
Balance at 1st January 2020	**246,933,170**	**373,878,875**	**670,206,556**	**1,291,018,601**
Total comprehensive income for the year				
Net profit for the year	-	-	74,321,934	74,321,934
Revaluation of land and buildings	-	71,717,897		71,717,897
Disposal of revalued property, plant and equipment	-	(169,757)	169,757	-
Transactions with owners of SIEA directly recognised in equity				
Dividend paid during the year	-	-	(4,000,000)	(4,000,000)
Balance at 31st December 2021	**246,933,170**	**445,427,015**	**740,698,247**	**1,433,058,433**

The notes disclosed on pages 37 to 61 are an integral part of the financial statements.

Statement of **Cash Flow**

For the year ended 31st December 2021

	Notes	2021	2020
		$	$
Operating activities			
Cash receipts from customers		448,725,032	447,405,137
Cash payments to suppliers and employees		(319,131,917)	(304,516,422)
Net cash provided by Operating Activities		**129,593,115**	**142,888,715**
Investing Activities			
Net investment in debt securities		-	(40,000,000)
Acquisition of property, plant and equipment	13	(115,157,221)	(129,892,644)
Net cash provided by Investing Activities		**(115,157,221)**	**(169,892,644)**
Financing Activities			
Dividend paid		(4,000,000)	(5,000,000)
Net movement in SIG Borrowings	21	(2,711,673)	(2,403,970)
Cash receipts from donor grants	19	15,162,565	15,819,420
Payment for lease liability	23	(5,440,531)	(4,316,100)
Net cash provided by Financing Activities		**3,010,361**	**4,099,350**
Net decrease in cash and cash equivalents		17,446,255	(22,904,579)
Cash and cash equivalents at 1st January		287,715,658	310,620,237
Cash and cash equivalents at 31st December	14	**305,161,913**	**287,715,658**

The notes disclosed on pages 37 to 61 are an integral part of the financial statements.

Notes to the **Financial Statement**

For the year ended 31st December 2021

1. Reporting Entity

Solomon Islands Electricity Authority (SIEA or Authority) is a State-Owned Enterprise established under the Electricity Act (Cap 128) 1969. SIEA's registered office and principal place of business is at the Ranadi Complex, Solomon Islands. There are no subsidiary companies.

2. Nature of Operations

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

3. Basis of Preparation

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

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

4. Measurement Basis

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

5. Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

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

6. Summary of Significant Accounting Policies

a). Revenue

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

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

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

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

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

Revenue including upfront fees is recognised net of GST and discount over time and the progress is determined based on kilowatts (units) consumed. This provide a faithful depiction

of the transfer of the good as the customer simultaneously receives and consumes the benefits provided by the Company's performance of the electricity revenue contract. The transaction price is determined based on approved tariffs at the time the service had been rendered and units of kilowatts consumed by the customers. The transaction price includes the non-refundable upfront fees as it not considered to be a significant material right.

The transaction price is considered to be variable due to the following:

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

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

	2021	2020
	$	$
Revenue from contracts with customers		
Kilowatt sales	321,838,135	314,443,256
Cash Power sales	128,496,452	123,353,890
Sales works	760,251	805,108
	451,094,838	**438,602,254**
Other revenue		
Amortisation of deferred income	8,254,407	7,912,793
Interest received	5,189,823	4,463,177
Tina Hydro refunds	-	204,583
Stale cheques	349,340	332,617
Other income	2,316,316	1,036,369
Total revenue	**467,204,723**	**452,551,793**

b). Financial Instruments

i. Recognition and initial measurement

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

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

ii. Classification and subsequent measurement

Financial Assets

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

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

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

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

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

- it is held within a business model whose objective is achieved by both collecting

contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial Assets: Business Model Assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Authority's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and, Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Authority's recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial Assets: Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest

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

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

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

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

Financial Assets: Subsequent Measurement and Gains and Losses.

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

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

Derecognition
Financial Assets
SIEA derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which SIEA neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

SIEA enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

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

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

c). Impairment of Non-Derivative Financial Assets
Financial instruments:
SIEA recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost.
SIEA measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12 month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and cash at bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECL as it does not include significant financing component.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Authority considers reasonable and supportable information that is relevant and available

without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Authority's historical experience and informed credit assessment and including forward-looking information.

SIEA assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. SIEA considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to SIEA in full, without recourse by the Authority to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

SIEA considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The Authority considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

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

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

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

Presentation of Allowance for ECL in the Ttatement of Financial Position:
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

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

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

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

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

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

i. Subsequent Expenditure
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied

within the component will flow to SIEA and its cost can be measured reliably. The costs of the day-to-day servicing and maintenance of property, plant and equipment are recognised in profit or loss as incurred.

ii. Depreciation

Depreciation is based on either the cost or revalued amount of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation of property, plant and equipment is calculated using the straight line method to write down the cost or revalued amount of property, plant and equipment to its estimated residual value over its estimated useful life.
The standard estimated useful lives and depreciation rates for SIEA asset classes are as follows:

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

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

iii. Revaluation of Property, Plant and Equipment

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

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

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

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

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

iv. Impairment of Non-Financial Assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced

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

v. Intangible Assets

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

Software - 3 to 7 years
Easements - indefinite

Easements are deemed to have an indefinite useful life, as the contracts do not have a maturity date and SIEA expects to use the easements indefinitely. Therefore, easements are not amortised. Their value is assessed annually for impairment, and their carrying value is written down if found impaired. SIEA capitalises the direct costs associated with putting the easements in place. These costs include registration and associated legal costs and also any injurious affection payments. Where SIEA buys land and then establishes an easement, a valuation is obtained for the easement. This valuation is used as deemed easement cost and capitalised, with a corresponding reduction in the land valuation.
For intangibles with a finite life, where the periods of expected benefit or recoverable values have diminished due to technological change or market conditions, amortisation is accelerated or the carrying value is written down.

vi. Capital Work in Progress

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

f). Employee Benefits

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

Short-Term Benefits

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

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

Long-Term Benefits

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

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

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

g). Taxation

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

h). Foreign Currency Transactions

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

i). Cash Flow Statement

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

j). Grants

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

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

k). Provisions

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

l). Leases

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

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

This policy is applied to contracts entered into, or changed, on or after 1st January 2019.

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

As a Lessee

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

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

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

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

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the

commencement date;

- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that SIEA is reasonably certain to exercise, lease payments in an optional renewal period if SIEA is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless SIEA is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured where there is a change in future lease payments arising from a change in an index or rate, if there is a change in SIEA's estimate of the amount expected to be payable under a residual value guarantee, or if SIEA changes its assessment of whether it will exercise a purchase, extension or termination When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

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

To classify each lease, SIEA makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, SIEA considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When SIEA is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which SIEA applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, SIEA applies IFRS 15 to allocate the consideration in the contract.

7. Financial Risk Management

Overview
SIEA has exposure to the following risks from its use of financial instruments:
i). Credit risk
ii). Liquidity risk
iii). Market risk
iv). Interest rate risk

This note presents information about SIEA's exposure to each of the above risks and SIEA's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Risk Management Framework
The Board of Directors has overall responsibility for the establishment and oversight of SIEA's risk management framework. SIEA's risk management policies are established to identify and analyse the risks faced by SIEA, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and SIEA's activities. SIEA, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

SIEA's Board oversees how management monitors compliance with SIEA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by SIEA. The Board is assisted in their oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and processes, the result of which is reported to the Board.

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

i). Credit Risk
Credit risk is the risk of financial loss to SIEA if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises

Continued

7. Financial Risk Management

principally from SIEA's receivables from customers, investment in debt securities, and cash and call deposits.

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

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

Expected Credit Loss Assessment
Trade Receivables
SIEA uses a provision matrix to determine the lifetime expected credit losses. It is based on the SIEA's historical observed default rates, and is adjusted by a forward-looking estimate that includes the probability of a worsening economic environment within the next year. At each reporting date, the Authority updates the observed default history and forward-looking estimates.

SIEA uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a large number of balances.

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

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

Kilowatt Debtors

	Weighted average loss rates	Gross carrying amount	Loss allowance	Credit Impaired
2021	**%**	**$**	**$**	
Current - 30 days past due	12.23%	20,019,480	2,448,730	No
30 - 59 days past due	24.38%	9,453,452	2,304,448	No
60 - 89 days past due	46.08%	6,186,890	2,850,860	No
90 or more days in past due	72.11%	17,274,546	12,456,500	Yes
		52,934,368	**20,060,538**	
2020				
Current - 30 days past due	12.19%	18,888,278	2,302,481	No
30 - 59 days past due	23.99%	6,752,283	1,619,873	No
60 - 89 days past due	46.03%	3,778,189	1,739,100	No
90 or more days in past due	64.60%	15,769,610	10,187,514	Yes
		45,188,360	**15,848,968**	

Cash Power Debtors

	Weighted average loss rates	Gross carrying amount	Loss allowance	Credit Impaired
2021	**%**	**$**	**$**	
Current - 30 days past due	9.70%	749,500	72,702	No
30 - 59 days past due	11.81%	33,128	3,912	No
60 - 89 days past due	12.35%	82,980	10,250	No
90 or more days in past due	31.88%	7,800,890	2,486,898	Yes
		8,666,498	**2,573,762**	
2020				
Current - 30 days past due	9.70%	1,401,214	135,918	No
30 - 59 days past due	11.81%	1,123,926	132,736	No
60 - 89 days past due	12.36%	1,200,321	148,360	No
90 or more days in past due	8.08%	9,393,893	758,904	Yes
		13,119,354	**1,175,918**	

Continued

7. Financial Risk Management

Loss rates are based on actual credit loss experienced over the past three years.

The movement in the allowance for impairment in respect of trade receivables and other receivables during the year is disclosed in note 16.

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

Cash and Cash Equivalents
SIEA held cash and cash equivalents of $305,154,483 at 31st December 2021 (2020: $287,715,658). The cash is held with different banks, whose ratings ranged from Aa3 to Caa1 based on Moody's credit ratings. Impairment on cash and cash equivalents has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures.

Accordingly, due to short maturities, the authority did not recognise an impairment allowance against cash and cash equivalents as at 31st December 2021 (2020: $nil)

Debt Investment Securities
SIEA held debt investment securities of $70,000,000 at 31st December 2021 (2020: $70,000,000). The debt investment securities are held with institutions which are rated Aa3 to B3 based on Moody's credit ratings. In relation to debt investment securities held with these institutions, the Authority monitors changes in credit risk by tracking published external credit ratings but when external credit ratings are not available or published, SIEA monitors changes in credit risk by reviewing available press and regulatory information.

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

The Authority did not recognise an impairment allowance against debt securities as at 31st December 2021 (2020: $nil)

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

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

31st December 2021

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

31st December 2020

	Carrying amount	6 months or less	6-12 months	Greater than 1 year	Total
Financial Liabilities	$	$	$	$	$
Trade and other payables (excluding contracted liabilities)	39,154,138	39,154,138	-	-	39,154,138
Solomon Islands Government loan	20,690,595	1,814,969	1,786,945	20,353,430	23,955,344
Lease liability	6,175,360	2,131,972	1,335,210	4,248,594	7,715,776
	66,020,093	**43,101,079**	**3,122,155**	**24,602,024**	**70,825,258**

iii). Market Risk

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

Fuel Price Risk

SIEA is subject to a monthly tariff review. The tariff is based on the Electricity Tariff (Base Tariff and Tariff Adjustments) Regulations 2016 which is adjusted every month for the Honiara Consumer Price Index (CPI), the Producers Price Index (PPI, USA), the exchange rate between the US$ and SBD and the fuel price movements. Fuel costs of $172 million (2020:$139 million) comprises 44% (2020: 37%) of the expenditure of SIEA, so movements in fuel prices are critical to the profitability of SIEA. The monthly tariff review however considers the fuel price movements, the CPI, PPI and exchange rate changes, therefore there is a natural hedge against market movements.

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

Profit or Loss

	100bp Decrease	100bp Increase
	$	$
Revenue	447,300	487,100
Expenditure	375,683	410,083
Net Profit	**71,617**	**77,017**

iv). Interest Rate Risk

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

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

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

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

v). Currency Risk

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

Notes to the **Financial Statement**

For the year ended 31st December 2021

		Note	2021	2020
			$	$
8.	**Other Operating Income**			
	Other		1,463,185	1,033,869
	Tina Hydro refunds		-	204,583
	Stale Cheques		349,340	332,617
	Reconnections		1,500	2,500
	Interest Received		5,189,823	4,463,177
	Unconditional Grant Income		851,631	-
			7,855,479	**6,036,746**
9.	**Generation and Distribution**			
	Fuel		171,791,473	139,365,434
	Lubrication Oil		3,442,105	3,178,396
	Other		2,820,000	2,836,800
	Personnel	12	30,313,319	32,023,737
	Repairs and Maintenance		12,993,893	16,552,333
			221,360,790	**193,956,700**
10.	**Administration**			
	Advertising		519,798	1,124,892
	Bank Fees		167,124	338,749
	Computer Bureau Charges		2,117,925	2,957,213
	Consultancy Fees		3,567,855	2,027,023
	Directors Fess and Expenses		303,432	262,431
	Electricity		3,191,351	2,988,165
	Electricity Rebate		5,483,371	4,440,976
	Freight		372,802	1,002,644
	Insurance		3,181,750	2,522,861
	Personnel	12	32,570,280	36,268,465
	Printing and Stationery		2,012,397	2,040,856
	Professional Fees		682,530	2,003,733
	Property Expenses		4,623,869	3,483,851
	Telecommunications		3,999,837	3,602,101
	Travel and Accommodation		3,024,729	2,940,544
			65,819,049	**68,004,504**
11.	**Operating Expenses**			
	Customs Handling Charges		4,089,819	3,713,480
	Personnel	12	13,622,731	13,101,391
	Repairs and Maintenance		2,718,078	4,365,298
	Vehicle Cost		4,689,781	4,720,604
			25,120,409	**25,900,773**
12.	**Personnel Expenses**			
	Salaries and Wages		47,391,900	61,180,430
	NPF		3,094,699	3,225,264
	Retirement Benefit Expenses		3,125,844	2,916,114
	Others		22,893,887	14,071,785
			76,506,330	**81,393,593**
	Personnel Expenses Classed by Functions are as follows:			
	Generation and Distribution		30,313,319	32,023,737
	Administration		32,570,280	36,268,465
	Operating Expenses		13,622,731	13,101,391
			76,506,330	**81,393,593**

Average Number of Employees during the year was 295 (2020: 286)

Notes to the **Financial Statement**

For the year ended 31st December 2021

13. Property Plant and Equipment

	Land	Buildings	Generators	Plant and equipment	Distribution network	Furniture & equipment	Motor vehicles	Tools	Work in progress	Total
	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD
Cost / Revaluation										
Balance as 1st January 2020	**63,769,080**	**189,664,967**	**276,827,401**	**105,632,152**	**321,047,527**	**34,332,546**	**29,558,256**	**12,387,453**	**166,550,704**	**1,199,770,086**
Additions	-	-	-	-	-	-	-	-	129,892,645	129,892,645
Disposals	(204,864)	(4,455,053)	-	(11,249)	(11,880,722)	(4,601,367)	(1,193,673)	(1,482,657)	-	(23,829,585)
Work in progress capitalised	-	18,936,025	172,488	5,500,790	39,856,064	6,670,243	2,656,268	1,638,845	(75,430,723)	-
Balance at 31st December 2020	**63,564,216**	**204,145,939**	**276,999,889**	**111,121,693**	**349,022,869**	**36,401,422**	**31,020,851**	**12,543,641**	**221,012,626**	**1,305,833,146**
Off set of accumulated depreciation as a result of a revaluation	(18,173,726)	(32,130,633)	-	-	-	-	-	-	-	(50,304,359)
Adjustment to asset revaluation reserve resulting from a revaluation	55,945,268	15,772,630	-	-	-	-	-	-	-	71,717,897
Reclassifications	-	(45,735,070)	-	45,723,070	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	115,157,221	115,157,221
Disposals	-	(702,973)	-	-	-	-	(1,340,005)	-	-	(2,042,978)
Work in progress capitalised	383,440	24,195,192	16,730,980	2,198,077	31,902,816	3,452,570	10,888,380	1,416,466	(91,167,921)	-
Balance at 31st December 2021	**101,719,198**	**165,557,084**	**293,730,869**	**159,042,840**	**380,925,685**	**39,853,992**	**40,569,226**	**13,960,107**	**245,001,926**	**1,440,360,928**
Breakdown of cost/revaluation										
Revaluations	90,633,902	60,899,591	47,010,361	68,927,648	177,955,513	-	-	-	-	445,427,015
Cost	11,085,296	104,657,493	246,720,508	90,115,192	202,970,172	39,853,991	40,569,226	13,960,107	245,001,926	994,933,911
Balance at 31st December 2021	**101,719,198**	**165,557,084**	**293,730,869**	**159,042,840**	**380,925,685**	**39,853,991**	**40,569,226**	**13,960,107**	**245,001,926**	**1,440,360,926**
Accumulated depreciation and impairment loss										
Balance as 1st January 2020	**13,248,392**	**26,463,250**	**80,448,462**	**16,259,462**	**39,334,509**	**21,892,626**	**24,216,445**	**9,215,783**	**-**	**231,078,929**
Depreciation	-	9,339,779	26,157,696	6,129,677	15,003,625	5,077,336	2,101,589	1,879,589	-	65,689,291
Amortisation of leasehold land	2,582,103	-	-	-	-	-	-	-	-	2,582,103
Depreciation on disposed assets	-	(1,065,844)	-	(11,248)	(2,062,097)	(4,369,833)	(1,193,674)	(1,460,287)	-	(10,162,983)
Balance at 31st December 2020	**15,830,495**	**34,737,185**	**106,606,158**	**22,377,891**	**52,276,037**	**22,600,129**	**25,124,360**	**9,635,085**	**-**	**289,187,340**
Depreciation	-	7,476,945	22,693,553	8,758,370	15,825,926	4,933,409	2,894,849	1,652,196	-	64,235,249
Amortisation of leasehold land	3,398,355	-	-	-	-	-	-	-	-	3,398,355
Off set of accumulated depreciation as a result of a revaluation	(18,173,726)	(32,130,633)	-	-	-	-	-	-	-	(50,304,359)
Reclassifications	-	(9,144,487)	-	9,144,487	-	-	-	-	-	-
Depreciation on disposed assets	-	(159,092)	-	-	-	-	(1,261,363)	-	-	(1,420,455)
Impairment				278,515		-				278,515
Balance at 31st December 2021	**1,055,125**	**779,918**	**129,299,711**	**40,559,263**	**68,101,963**	**27,533,538**	**26,757,846**	**11,287,281**	**-**	**305,374,645**
Carrying amounts										
At 31st December 2019	50,520,688	163,201,717	196,378,939	89,372,690	281,713,018	12,439,920	5,341,811	3,171,670	166,550,704	968,691,157
At 31st December 2020	47,733,721	169,408,754	170,393,731	88,743,802	296,746,832	13,801,293	5,896,491	2,908,556	221,012,626	1,016,645,806
At 31st December 2021	**100,664,073**	**164,777,166**	**164,431,158**	**118,483,577**	**312,823,722**	**12,320,454**	**13,811,381**	**2,672,826**	**245,001,926**	**1,134,986,283**

Continued

13. Property Plant and Equipment

SIEA has a policy to revalue infrastructure and property assets every 5 years. During the year a revaluation exercise was conducted for Land and Buildings. Generators and the distribution network which are subject to revaluation were not revalued during the year due to no local expertise and the borders were closed for overseas experts to enter the country. SIEA is of the opinion that there has been no material change in the carrying value of the generators and distribution networks despite the last revaluation conducted by Sinclair Knights Merz (SKM) in 2016 since assets are appropriately maintained.

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

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.

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

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

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

In 2021 the result of the valuation process was an increase in land and building assets and their corresponding reserves of $71,717,897. However, this increase in value was partially offset by an impairment loss of $278,514 which was expensed in profit or loss.

During the year management undertook a fixed asset verification of its buildings, plant and equipment to ascertain its existence and value, which resulted in a disposal loss of $622,523 (2020: $13,686,603), which was the book value of assets not in existence or no longer operational.

	2021	2020
	$	$
Perpetual Estate Land	19,841,962	11,427,500
Fixed Term Estate	80,822,112	36,306,221
	100,664,703	**47,733,721**

		2021	2020
		$	$
14.	**Cash and Cash Equivalents**		
	Short-term deposits	864,886	151,994,576
	Cash on hand	47,000	47,000
	Cash at bank	304,250,025	135,674,082
		305,161,911	**287,715,658**

The short-term deposits amounting to $864,886 and $150,660,285 (2020: $151,994,576) are invested with ANZ Banking Group Ltd - Solomon Islands Branch and Bred Bank Solomon at rates of 0.5% and 1.75%. The deposits have terms of between on-call and one month. Accordingly, these short-term deposits have been considered as cash and cash equivalents for the purpose of the statement of cash flow.

15.	**Inventories**		
	Electrical and mechanical	**59,400,027**	**58,274,089**

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

	2021	2020
	$	$
16. Receivables		
Current		
Trade receivables - kilowatt	52,934,368	45,188,360
Allowance for impairment - kilowatt	(20,060,538)	(15,848,968)
Trade receivables - CashPower	8,666,498	13,119,354
Allowance for impairment - CashPower	(2,573,762)	(1,175,918)
Staff advances	515,046	292,119
Allowance for impairment- staff advances	(57,224)	(31,787)
Unread meters	13,646,889	12,953,676
World Bank	5,915,250	3,597,737
Asian Development Bank	-	880,800
Solomon Island Government	4,178,975	-
Other debtors	1,843,752	2,194,827
	65,009,253	**61,170,200**
Allowance for impairment		
Balance at the beginning of the year	17,056,673	14,904,941
Impairment Recognised	6,386,232	2,630,743
Bad Depts Written Off during the year	(751,381)	(479,011)
Balance at 31st December	**22,691,525**	**17,056,673**

17. Government Bonds		
Government bonds	**70,000,000**	**70,000,000**

On 1st December 2018 SIEA purchased Domestic Development Bonds with a face value of $30M from the Solomon Islands Government. The bonds have an interest rate of 5% per annum which is to be paid semi-annually. The bonds have a maturity date of 1st December 2028 and there is a 3 year grace period before principal repayments commence.

On 11th May 2020 SIEA purchased Covid-19 Domestic Development Bonds with a face value of $40M from the Solomon Islands Government. The bonds have an interest rate of 5% per annum which is to be paid semi-annually. The bonds have a maturity date of 11th May 2030 and there is a 3 year grace period before principal repayments commence.

18. Contributed Capital		
Contributed capital	**246,933,170**	**246,933,170**

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

19. Deferred Income		
Balance at 1st January	137,804,108	129,897,481
Additional deferred income	15,162,565	15,819,420
Deferred income recognised during the year	(8,254,407)	(7,912,793)
Balance at 31st December	**144,712,266**	**137,804,108**

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

Current	8,254,407	7,912,793
Non-Current	136,457,859	129,891,315
	144,712,266	**137,804,108**

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

Continued

19. Property Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

been utilised and the asset capitalised to the Fixed Asset register.

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

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

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

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

		2021	2020
		$	$
20.	**Trade and Other Payables**		
	Current		
	Trade creditors	199,571	331,173
	Other payables and accruals	28,316,689	33,308,629
	Contractual liabilities	3,588,573	2,107,426
	Consumer deposits	5,901,933	5,514,336
		38,006,766	**41,261,564**

	2021	2020
	$	$

21. Solomon Islands Government Loan Agreement

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

Balance at 1st January	20,690,595	23,094,565
Principal Repayments	(2,711,673)	(2,403,970)
Balance at 31st December	**17,978,922**	**20,690,595**

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

Current	2,802,313	2,802,313
Non Current	15,176,609	17,888,282
	17,978,922	**20,690,595**

22. Employee Entitlements

Current	2,716,880	2,067,344
Non-current	17,464,354	15,098,534
	20,181,234	**17,165,878**

Movement is made up of the following

Opening balance	17,165,878	17,079,076
Provisions made during the year	6,283,150	5,308,635
Provisions utilised during the year	(3,267,794)	(5,221,833)
Closing balance	**20,181,234**	**17,165,878**

23. Lease

i) As a Lessee

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

Property, plant and equipment owned	1,134,986,283	1,016,645,806
Right-of-use assets	6,199,391	9,372,122
Total Assets	**1,141,185,674**	**1,026,017,928**

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

As a Lessee

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

Right-of-use Assets	Land	Buildings	Total
2021	**$**	**$**	**$**
Balance at 1st January	4,400,333	4,971,789	9,372,122
Additions	-	1,728,425	1,728,425
Leases cancelled	-	(536,814)	(536,814)
Depreciation charge	(81,166)	(4,283,176)	(4,364,342)
Balance at 31st December	**4,319,167**	**1,880,223**	**6,199,391**

As a Lessee

Right-of-use Assets	Land	Buildings	Total
2020	**$**	**$**	**$**
Balance at 1st January	3,943,826	4,040,932	7,984,758
Additions	477,503	5,239,221	5,716,724
Leases cancelled	-	(294,458)	(294,458)
Depreciation charge	(20,996)	(4,013,906)	(4,034,902)
Balance at 31st December	**4,400,333**	**4,971,789**	**9,372,122**

	2021	2020
	$	**$**
Lease liabilities included in the statement of financial position at 31st December		
i). As a Leasee		
Current	1,640,980	3,549,946
Non-current	1,126,723	2,625,414
Balance at 31st December	**2,767,703**	**6,175,360**
Amounts recognised in Profit or Loss		
Interest on lease liabilities	319,542	842,594
Variable lease payments not included in the measurement of lease liabilities	-	-
Income from sub-leasing right-of-use assets	-	-
Expenses relating to short-term leases	93,930	419,869
Expenses relating to leases of low-value assets	-	-
	413,472	**1,262,463**
Amounts recognised in Statement of Cash Flows		
Total cash outflow for leases	5,440,531	4,316,100

ii). As a Lessee

Lease income from lease contracts in which SIEA acts as a lessor is as below:

Operating Lease

Lease income	**-**	**34,485**

24. Related Parties

a) Directors

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

Name

David K.C. Quan – Chairman

James Apaniai

John B Houanihau

Muriel Ha'apue-Dakamae

Rovaly Sike

Directors' fees and expenses are disclosed in Note 10. SIEA's transactions with Directors were at arms length.

Expenses relating to short-term leases

Expenses relating to leases of low-value assets

b) Identity of Related Parties

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

	2021	2020
	$	$

c) Amounts Receivable from Related Parties

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

Central Bank of Solomon Islands	102,839	130,192
Central Provincial Government	26,898	14,359
Choiseul Provincial Government	20,626	19,361
Commodity Export Marketing Authority	(5)	-
Guadalcanal Provincial Government	-	46,723
Home Finance Corporation	62,040	29,799
Honiara City Council	455,186	1,230,972
Makira/Ulawa Provincial Government	56,707	71,761
Malaita Provincial Government	1,687,960	29,023
Provincial Hospital	392,716	512,526
Solomon Airlines Limited	342,999	164,383
Solomon Islands Broadcasting Corporation	242,821	234,438
Solomon Islands Government	25,411,743	19,584,302
Solomon Islands National University	381,500	1,220,904
Solomon Islands Ports Authority	48,064	575,953
Solomon Islands Postal Corporation	84,980	4,441
Solomon Islands Water Authority	2,343,788	-
Temotu Provincial Government	14,001	46,222
Western Provincial Government	46,649	65,619
Isabel Provincial Government	197,823	62,949
	31,919,336	**24,043,927**

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

d) Transactions with Key Management Personnel

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

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

Short-term employee benefits	**13,528,049**	**14,077,326**

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

25. Commitments and Contingencies

Capital Commitments

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

Less Than 1 Year	197,000,000	215,000,000
Between 1 year and 5 years	728,000,000	504,000,000
	925,000,000	**719,000,000**

Contingent Liabilities

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

SIEA on 8 July 2021 terminated its engineering, procurement and construction (EPC) contract with CBS Power Solutions Pte Ltd (CBS) on the basis that CBS was in breach of the contract and had failed to remedy the breaches, and as a consequence of the termination, SIEA may be entitled to claim damages from CBS. Prior to the contract termination, CBS had issued claim notices to SIEA claiming entitlement to costs which SIEA has denied liability. SIEA and CBS have competing claims against each other which may be resolved by mutual agreement or by international arbitration. SIEA and CBS are currently in "without prejudice" negotiations to discuss a possible amicable settlement of both CBS's claims prior to termination and SIEA's entitlement for CBS's breach of contract.

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

26. Capital Management

SIEA's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

In order to maintain or adjust the capital structure, SIEA may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

27. World Bank Financing

a) Financial Support Received

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

b) Grants

SIEA has received total grants of USD 10,710,972 from these programmes since their commencement (2020: USD 9,477,863). The 2021 balance consists of the following funds, IDA H9130 – USD 1,948,784, IDA H4150 – USD 3,834,859, TF A2923 - USD 2,193,565, IDA 3270 - USD 2,219,455, TF A7425 - USD 250,000 and TF A718 - USD 264,308.

c) Credit Funds

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

d) Use of the Proceeds

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

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

	2021	2020
	USD	USD
Designated Account		
Balance at 1 January	920,277	946,194
Receipts	152,620	117,805
Expenditures	193,575	143,722
Balance at 31st December	**879,322**	**920,277**

	2021	2020
	USD	USD
Grants		
TF A2923	-	693,053
IDA D3270	918,930	500,525
TF A7425	49,871	129
TF A7418	264,308	-
Balance at 31st December	**1,233,109**	**1,193,704**
Credit Funds IDA 53790		
Balance at 1st January	2,788,234	3,124,511
Principal repayments	340,761	336,278
Balance at 31st December	**2,447,472**	**2,788,234**

e) Project Financial Report

	2021	2020	Cumulative (PTD)
	USD	USD	USD
Balance at 1st January	**920,277**	**946,194**	**-**
Source of Funds			
IDA H4150	-	-	3,834,859
IDA H9130	-	-	1,948,784
TF A2923	-	693,053	2,193,566
IDA D3270	918,930	500,525	2,219,455
TF A7425	49,871	129	250,000
TF A7418	264,308	-	264,308
IDA 53790	-	-	5,925,941
Total Source of Funds	**1,233,109**	**1,193,708**	**16,636,913**
Total Available	**2,153,386**	**2,139,902**	**16,636,913**
Use of Funds			
Component A	-	623,560	5,622,961
Component B	788,034	397,613	1,421,712
Component C	223,057	-	8,182,871
Component D	262,527	196,791	507,264
Component E	446	348	14,228
Total Uses of Funds	**1,274,064**	**1,218,312**	**15,749,036**
Net Difference	**879,322**	**921,590**	**887,877**
Exchange Gain / (Loss)	-	1,313	8,555
Closing Balance	**879,322**	**920,277**	**879,322**

28. Measurement of Fair Values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Authority has access at that date. When available, the Authority measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Authority uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of relevant observable inputs and maximising the use of unobservable inputs.

The different levels have been defined as follows:

- Level 1 fair value measurement are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable) inputs.

The fair value of land and building was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Authority's land and buildings every 3-5 years. The fair value measurement for land and building has been categorised as a Level 2 and Level 3 fair value respectively based on the inputs to the valuation technique used.

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as significant unobservable inputs used.

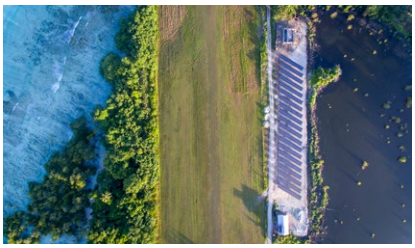
Valuation technique	Asset	Significant unobservable inputs	Inter-relationship between key unobservable inputs
Sales (direct comparison) approach	Land	• View adjustment applied • Landscape adjustment applied	The estimated fair value would increase (decrease) if: • View adjustment rate were higher (lower); and • Landscape adjustment rate were higher (lower).
Replacement cost method: where the improvements are valued using current replacement cost and an allowance for depreciation and obsolescence.	Building and improvements	• Cost of materials used to construct. • Depreciation rate applied. • Locality of the property. • Proximity to civic amenities. • Topography / geographical feature of the land • Demand of the land	• The estimated fair value would increase (decrease) if: • Cost of material rises (declines); • Depreciation rate were lower (higher); • The property located in urban locality; • Closer to civic amenities; • The higher the demand for the area.

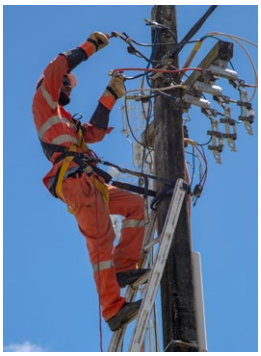
29. Subsequent Events

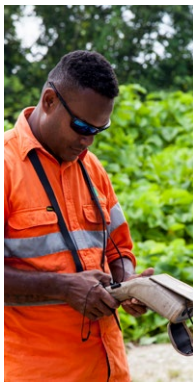
Subsequent to year-end, the country recorded its first community transmission of Covid-19 in January 2022 and as at the date of this report, the country is experiencing widespread community transmission of Covid-19. In response to this, the Solomon Islands Government have implemented various measures, which includes restricted movements, curfews and lock-downs amongst other measures. While the ultimate disruption caused by the outbreak is uncertain, it may result in an adverse impact on the SIEA financial performance, position and cash flows, should it result in ongoing economic downturn.

SIEA continues to monitor developments in the Covid-19 pandemic and the measures being implemented on the economy to control and slow the outbreak. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the related impact of SIEA's future results of operations, cash flow and financial condition cannot be reasonably estimated at this stage and will be reflected in SIEA's 2022 annual financial statements.

Late in February 2022 and up to the date of this report, the ongoing war between Russia and Ukraine and the associated sanctions from Western Countries and the USA has seen a significant spike in the global oil prices. Though recently we have seen downward pressure on the prices, the situation remains uncertain and its impact on World Oil prices remain volatile. SIEA as a price taker is exposed to this oil price volatility. Fuel cost is passed to the customer. The tariff is consequently expected to rise significantly if the rise in fuel cost is not subsidized. Hence, customer behaviour and buying patterns may change because of the high tariff forecasted, thus having a negative impact on SIEA's revenue. Management has written to the Solomon Islands Government (SIG) for Goods and Sales tax relief on fuel and is in discussion with SIG to minimize the impact of high fuel price on the tariff.







Glossary

kV	Kilovolt
HV	High Voltage
kW	Kilowatts
MW	Megawatt (= 1000 kW)
GWh	Gigawatt-hour (= 1 million kWh)

Our **Call Centre**
is available **24/7**

166/167

www.**solomonpower**.com.sb

Scan me for
more info

SolomonPower
energising our nation