



Solomon Islands Electricity Authority
trading as **SOLOMON POWER**

Financial Statements

For the year ended

31 December 2015

Solomon Islands Electricity Authority
trading as SOLOMON POWER
For the year ended 31 December 2015

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

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Solomon Islands Electricity Authority (SIEA), trading as Solomon Power, as at 31 December 2015 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and report as follows:

Directors

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

Name

David K.C. Quan - chairman (appointed 19 February 2016)
Adrian Wickham - chairman (retired 18 February 2016)
David Laurie - (appointed April 2010)
Harry Zoleveke - (appointed June 2012)
Henry Kapu - (appointed June 2012)
John B Houanihau - (appointed September 2014)
Roaly Sike - (appointed September 2014)
Sebastian Ilala - (appointed June 2012)
Yolande Yates - (appointed September 2014)

State of affairs

In complying with the Electricity Act (Cap 128) and the State Owned Enterprises Act of 2007, the Directors hereby submit the financial statements of SIEA consisting of the statement of financial position as at 31 December 2015, statement of comprehensive income, statement of changes in equity and statement of cash flows of SIEA for the year then ended.

Principal activity

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

Results

The net profit for the year was SBD 106,687,296 (2014: SBD 91,415,268).

Dividends


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


Significant events

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

Dated at Honiara this 23rd day of March 2016.

Signed in accordance with a resolution of the Directors.


Director


Director



INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Electricity Authority

Report on the Financial Statements

Scope

I have audited the accompanying financial statements of Solomon Power, which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' and Management's Responsibility for the Financial Statements

The directors and management are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards and the requirements of the State Owned Enterprises Act, 2007. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditor's Responsibility


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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements of the Solomon Power give a true and fair view of the financial position of the authority as at 31 December 2015 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.


Peter Lokay
Auditor-General
30 March, 2016

Office of the Auditor-General
Honiara, Solomon Islands

Solomon Islands Electricity Authority
trading as **SOLOMON POWER**
Statement of comprehensive income
For the year ended 31 December 2015


	Notes	2015 SBD	2014 SBD
Operating income			
Electricity sales		439,887,311	446,557,219
Grant income		4,425,527	3,033,478
Other operating income	7	2,819,563	27,440,862
Total operating income		447,132,402	477,031,559
Expenses			
Generation and distribution	8	205,913,348	254,231,805
Administration	9	65,350,110	52,136,862
Operating	10	31,836,151	24,009,296
Depreciation and amortisation	11	40,549,658	35,856,247
Allowance for uncollectability	14	(3,997,994)	4,604,834
Interest expense		-	1,096,621
Inventory & Asset write-off		1,850,967	13,066,174
Total expenses		341,502,239	385,001,840
Gain from operations		105,630,162	92,029,720
Foreign exchange gain / (loss)		1,057,134	(614,452)
Total comprehensive income for the year		106,687,296	91,415,268

The notes disclosed on pages 35 to 52 are an integral part of the financial statements.


Solomon Islands Electricity Authority
trading as **SOLOMON POWER**
Statement of financial position
As at 31 December 2015

Assets	Notes	2015 SBD	2014 SBD
Current assets			
Cash and cash equivalents	12	150,836,397	75,411,436
Held to maturity investments		67,440,738	99,128,807
Inventories	13	10,946,653	8,855,512
Receivables	14	48,534,905	70,025,232
Prepayments		1,291,835	1,099,119
Total current assets		279,050,528	254,520,106
Non-current assets			
Property, plant and equipment	11	550,989,546	460,274,583
Receivables	14	4,710,577	5,962,260
Total non-current assets		555,700,123	466,236,842
Total assets		834,750,651	720,756,948
Current liabilities			
Deferred income	16	3,143,547	2,787,234
Trade and other payables	17	32,049,557	24,656,762
Employee benefits		966,806	835,272
Total current liabilities		36,159,910	28,279,268
Non-current liabilities			
Deferred income	16	29,319,696	29,893,931
Total non-current liabilities		29,319,696	29,893,931
Total liabilities		65,479,606	58,173,199
Equity			
Contributed capital	15	246,933,170	246,933,170
Asset revaluation reserve		299,474,732	299,474,732
Accumulated profits		222,863,143	116,175,846
Total equity		769,271,045	662,583,749
Total equity and liabilities		834,750,651	720,756,948

Signed for and on behalf of the Board of Directors



Director



Director

The notes disclosed on pages 35 to 52 are an integral part of the financial statements.

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Statement of changes in equity
For the year ended 31 December 2015

	Contributed capital SBD	Asset revaluation reserves SBD	Accumulated retained earnings SBD	Total SBD
Balance at 1 January 2014	246,933,170	299,474,732	24,760,578	571,168,481
Total comprehensive loss for the year				
Net profit for the year	-	-	91,415,268	91,415,268
Balance at 31 December 2014	<u>246,933,170</u>	<u>299,474,732</u>	<u>116,175,846</u>	<u>662,583,749</u>
Balance at 1 January 2015	246,933,170	299,474,732	116,175,846	662,583,749
Total comprehensive income for the year				
Net profit for the year	-	-	106,687,296	106,687,296
Balance at 31 December 2015	<u>246,933,170</u>	<u>299,474,732</u>	<u>222,863,143</u>	<u>769,271,045</u>

The notes disclosed on pages 35 to 52 are an integral part of the financial statements.

Solomon Islands Electricity Authority
trading as **SOLOMON POWER**
Statement of cash flows
For the year ended 31 December 2015

	Notes	2015 SBD	2014 SBD
Operating activities			
Cash receipts from customers		470,666,646	462,546,688
Cash payments to suppliers and employees		<u>(298,058,066)</u>	<u>(327,954,529)</u>
Net cash provided by Operating Activities		<u>172,608,580</u>	<u>134,592,159</u>
Investing activities			
Payment for held to maturity investments		31,688,069	(85,844,804)
Net payments for property, plant and equipment	11	<u>(133,079,293)</u>	<u>(106,404,599)</u>
Net cash used in Investing Activities		<u>(101,391,224)</u>	<u>(192,249,402)</u>
Financing activities			
Cash receipts from donor grants		<u>4,207,606</u>	<u>3,701,054</u>
Net cash provided by Financing Activities		<u>4,207,606</u>	<u>3,701,054</u>
Net increase / (decrease) in cash and cash equivalents		75,424,961	(53,956,189)
Cash and cash equivalents at 1 January		<u>75,411,436</u>	<u>129,367,625</u>
Cash and cash equivalents at 31 December	12	<u>150,836,397</u>	<u>75,411,436</u>

The notes disclosed on pages 35 to 52 are an integral part of the financial statements.

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Notes to the financial statements
For the year ended 31 December 2015

1 Reporting entity

Solomon Islands Electricity Authority (SIEA) trading as Solomon Power is a state owned enterprise established under the Electricity Act 1969. SIEA's registered office and principal place of business is at the Ranadi Complex, East Honiara, Solomon Islands.

There are no subsidiary companies.

2 Nature of operations

The principal activity of SIEA is the generation and distribution of electricity to the Solomon Islands. SIEA is the owner and operator of the Solomon Islands' Government owned electricity supply systems.

3 Basis of preparation

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

a) Presentation of currency

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

4 Measurement basis

The measurement basis adopted in the preparation of these financial statements is historical cost except as modified for certain investments, held for sale assets, investment property, financial assets and financial liabilities as identified in specific accounting policies below.

5 Specific accounting policies

a) Basis of consolidation

There are no subsidiaries in existence, or proposed, so no consolidation is required.

b) Goodwill

SIEA does not recognise any goodwill.

c) Revenue

SIEA recognises revenue as it provides services or delivers products to customers and the consideration becomes recoverable. Revenue is measured at the fair value of the consideration received or receivable.

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Notes to the financial statements continued
For the year ended 31 December 2015

5 Specific accounting policies continued

d) Financial instruments

i. Non-derivative financial assets

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

SIEA derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by SIEA is recognised as a separate asset or liability.

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

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

Loans and receivables

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

Cash and cash equivalents

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

Accounts receivables

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

Subsequently, appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Other financial assets at fair value through profit or loss

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

Available for sale financial assets

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

These investments are carried at fair value with any unrealised gains and losses arising from changes in fair value recognised directly in equity. On sale or on impairment, the accumulated fair value adjustments are included in the profit or loss.

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Notes to the financial statements continued
For the year ended 31 December 2015

5 Specific accounting policies continued

d) Financial instruments continued

ii. Non-derivative financial liabilities

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

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

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

Other financial liabilities comprise provisions, trade and other payables.

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

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

iii. Contributed capital

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

e) Impairment

i. Non-derivative financial assets

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

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

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Notes to the financial statements continued
For the year ended 31 December 2015

5 Specific accounting policies continued

e) Impairment continued

ii. Loans and receivables

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

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

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

iii. Non-financial assets

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

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

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

f) Inventories

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

g) Investments

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

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Notes to the financial statements continued
For the year ended 31 December 2015

5 Specific accounting policies continued

h) Property, plant and equipment

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

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

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

i. Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to SIEA and its cost can be measured reliably. The costs of the day-to-day servicing and maintenance of property, plant and equipment are recognised in the profit or loss as incurred.

ii. Depreciation

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

Depreciation of property, plant and equipment is calculated using the straight line method to write down the cost of property, plant and equipment to its estimated residual value over its estimated useful life.

The standard estimated useful lives and depreciation rates for SIEA asset classes are as follows:

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

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

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Notes to the financial statements continued
For the year ended 31 December 2015

5 Specific accounting policies continued

h) Property, plant and equipment continued

iii. Revaluation of property, plant and equipment

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

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

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

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

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

iv. Impairment of assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the 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.

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Notes to the financial statements continued
For the year ended 31 December 2015

5 Specific accounting policies continued

h) Property, plant and equipment continued

iv. Impairment of assets continued

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

v. Intangible assets

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

Software - 3 to 7 years

Easements - indefinite

Easements are deemed to have an indefinite useful life, as the contracts do not have a maturity date and SIEA expects to use the easements indefinitely. Therefore, easements are not amortised. Their value is assessed annually for impairment, and their carrying value is written down if found impaired. SIEA capitalises the direct costs associated with putting the easements in place. These costs include registration and associated legal costs and also any injurious affection payments. Where SIEA buys land and then establishes an easement, a valuation is obtained for the easement. This valuation is used as deemed easement cost and capitalised, with a corresponding reduction in the land valuation.

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

For intangibles with a finite life, where the periods of expected benefit or recoverable values have diminished due to technological change or market conditions, amortisation is accelerated or the carrying value is written down.

i) Capital work in progress

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

Solomon Islands Electricity Authority
trading as SOLOMON POWER
Notes to the financial statements continued
For the year ended 31 December 2015

5 Specific accounting policies continued

j) Non-current assets held for sale

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

k) Employee benefits

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

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

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured at the present value of the estimated cash flows to be made by SIEA in respect of services provided by employees up to reporting date.

Contributions to defined contribution plans are expensed when incurred.

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

l) Taxation

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

m) Foreign currency transactions

Transactions denominated in a foreign currency that are not hedged are converted at the Solomon Islands exchange rate at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates current at balance date. Exchange differences arising on the translation or settlement of accounts payable and receivable in foreign currencies are recognised in the profit or loss.

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

n) Cash flow statement

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

o) Grants

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

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

Solomon Islands Electricity Authority
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Notes to the financial statements continued
For the year ended 31 December 2015

6 Financial risk management

Overview

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

- i) Credit risk
- ii) Liquidity risk
- iii) Market risk
- iv) Interest rate risk

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

Risk management framework

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

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

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

i) Credit risk

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

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

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

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

	2015	2014
	SBD	SBD
Cash at bank	150,793,397	75,368,436
Receivables - current	34,458,529	56,121,114
- non-current	4,710,577	5,962,260
	<u>189,962,503</u>	<u>137,451,810</u>
Receivables are determined impaired as follows:		
Trade and other receivables		
Gross receivables	67,016,697	100,612,480
Provision for impairment	(27,847,591)	(38,529,107)
	<u>39,169,106</u>	<u>62,083,374</u>

Solomon Islands Electricity Authority
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Notes to the financial statements continued
For the year ended 31 December 2015

6 Financial risk management continued

ii) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities:

31 December 2015

	Carrying amount SBD	6 months or less SBD	6-12 months SBD	Greater than 1 year SBD
Financial liabilities				
Trade and other payables	32,049,557	32,049,557	-	-
Employee benefits	966,806	966,806	-	-
	<u>33,016,363</u>	<u>33,016,363</u>	<u>-</u>	<u>-</u>

31 December 2014

	Carrying amount SBD	6 months or less SBD	6-12 months SBD	Greater than 1 year SBD
Financial liabilities				
Trade and other payables	24,656,762	24,656,762	-	-
Employee benefits	835,272	835,272	-	-
	<u>25,492,034</u>	<u>25,492,034</u>	<u>-</u>	<u>-</u>

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6 Financial risk management continued

iii) Market risk

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

SIEA is subject to a quarterly tariff review. The tariff is based upon the 2005 Tariff Price Regulation which is adjusted for the Honiara Consumer Price Index and fuel price movements. Fuel at \$149,930,000 (\$207,157,000 in 2014) comprises about half the expenditure of SIEA, so movements in fuel prices are critical to the profitability of SIEA. Fortunately, the quarterly tariff review considers the fuel price movements, therefore there is a natural hedge against fuel price movements. Taking 2015 as the base, the following percentage movements in fuel prices will have the following effect on revenue, expenditure and profit.

Percentage Change In Fuel Price

	-10%	-5%	0%	5%	10%
	\$000	\$000	\$000	\$000	\$000
Revenue	422,700	431,300	439,900	448,500	457,100
Expenditure	318,200	325,700	333,200	340,700	348,200
Net Profit	104,500	105,600	106,700	107,800	108,900

iv) Interest rate risk

Interest rate risk is the risk that a change in interest rates will impact net interest costs and borrowings. SIEA has no borrowings and therefore the interest rate risk is minimal.

7 Other operating income	2015	2014
	SBD	SBD
Community service obligation	-	24,595,989
Other	2,303,163	2,598,540.15
Reconnections	516,400	246,333
Gain / (loss) on disposal of fixed assets	-	-
	<u>2,819,563</u>	<u>27,440,862</u>

8 Generation and distribution

Bought in electricity	6,160,216	3,228,334
Fuel	149,930,357	207,156,539
Lubricating oil	4,876,902	2,234,023
Other	2,047,725	481,684
Personnel	18,922,237	17,043,229
Repairs and maintenance	23,975,911	24,087,995
	<u>205,913,348</u>	<u>254,231,805</u>

Solomon Islands Electricity Authority
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9 Administration

	2015	2014
	SBD	SBD
Advertising	1,634,351	1,655,021
Bank fees	626,005	243,648
Computer bureau charges	1,287,256	615,061
Consultancy fees	13,646,402	10,691,865
Directors fees and expenses	382,816	735,842
Electricity	1,782,474	3,209,709
Electricity rebate	1,076,404	1,508,690
Freight	363,978	120,406
Insurance	1,529,051	1,977,764
Personnel	20,680,535	15,374,658
Printing and stationery	2,715,237	2,392,728
Professional fees	892,004	709,599
Property expenses	6,488,127	4,343,245
Tax penalties	2,322,733	-
Telecommunications	5,232,115	2,541,188
Travel and accommodation	4,690,621	6,017,438
	<u>65,350,110</u>	<u>52,136,862</u>

10 Operating expenses

Customs handling charges	5,259,541	4,092,246
Other	897,544	922,941
Personnel	16,887,379	9,958,265
Repairs and maintenance	5,298,689	5,265,999
Vehicle costs	3,492,996	3,769,845
	<u>31,836,151</u>	<u>24,009,296</u>

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11 Property, plant and equipment

	Land SBD	Buildings SBD	Generators SBD	Plant and equipment SBD	Distribution network SBD	Furniture & equipment SBD	Motor vehicles SBD	Tools SBD	Work in progress SBD	Total SBD
Cost / Revaluation										
Balance as 1 January 2014	26,474,074	26,322,506	124,334,237	30,219,149	166,842,256	8,829,409	15,877,218	2,687,479	8,793,850	410,380,179
Additions	277,863	4,836,825	3,240,310	265,788	269,231	3,034,048	3,136,217	977,547	90,366,769	106,404,599
Disposals	-	(3,405,623)	-	-	(9,866,501)	(2,464,779)	(337,492)	-	-	(16,074,395)
Work in progress capitalised	-	-	326,734	-	6,753,060	3,481,426	-	-	(10,561,219)	-
Balance at 31 December 2014	26,751,937	27,753,708	127,901,281	30,484,937	163,998,045	12,880,105	18,675,943	3,665,026	88,599,400	500,710,383
Additions	-	-	1,186,943	1,786,734	1,496,088	2,283,790	4,724,184	1,524,994	120,076,561	133,079,293
Disposals	-	(2,016,180)	-	-	-	-	-	-	-	(2,016,180)
Work in progress capitalised	-	8,348,820	-	22,497,226	14,503,011	-	-	-	(45,349,056)	-
Balance at 31 December 2015	26,751,937	34,086,348	129,088,224	54,768,897	179,997,144	15,163,894	23,400,127	5,190,020	163,326,905	631,773,496
Breakdown of cost/revaluation										
2011 Valuation	-	-	-	-	-	-	1,021,189	249,941	-	1,271,130
2013 Valuation	26,474,074	22,916,883	124,334,237	30,219,149	156,975,755	-	-	-	-	360,920,098
Cost	277,863	11,169,465	4,753,987	24,549,747	23,021,390	15,163,894	22,378,938	4,940,079	163,326,905	269,582,268
Balance at 31 December 2015	26,751,937	34,086,348	129,088,224	54,768,897	179,997,144	15,163,894	23,400,127	5,190,020	163,326,905	631,773,496
Depreciation and impairment loss										
Balance as 1 January 2014	-	-	-	-	-	3,458,704	3,936,100	182,802	-	7,577,606
Depreciation	-	1,437,574	18,128,765	2,961,925	6,085,286	2,090,520	3,565,284	352,228	-	34,621,582
Amortisation of leasehold land	1,234,665	-	-	-	-	-	-	-	-	1,234,665
Depreciation on disposed assets	-	(69,370)	-	-	-	(2,562,803)	(365,879)	-	-	(2,998,052)
Balance at 31 December 2014	1,234,665	1,368,204	18,128,765	2,961,925	6,085,286	2,986,421	7,135,505	535,029	-	40,435,800
Depreciation	-	1,694,016	17,712,639	3,944,702	6,571,745	3,807,496	4,143,651	1,440,744	-	39,314,993
Amortisation of leasehold land	1,234,665	-	-	-	-	-	-	-	-	1,234,665
Depreciation on disposed assets	-	(201,509)	-	-	-	-	-	-	-	(201,509)
Balance at 31 December 2015	2,469,330	2,860,711	35,841,404	6,906,627	12,657,031	6,793,916	11,279,157	1,975,774	-	80,783,950
Carrying amounts										
At 1 January 2014	26,474,074	26,322,506	124,334,237	30,219,149	166,842,256	5,370,705	11,941,118	2,504,677	8,793,850	402,802,573
At 31 December 2014	25,517,272	26,385,504	109,772,516	27,523,012	157,912,759	9,893,684	11,540,438	3,129,997	88,599,400	460,274,583
At 31 December 2015	24,282,607	31,225,637	93,246,820	47,862,270	167,340,113	8,369,978	12,120,970	3,214,246	163,326,905	550,989,546

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11 Property, plant and equipment (continued)

SIEA has a policy to revalue infrastructure and property assets every 3 to 5 years. The last such revaluation was completed in 2013. SIEA is of the opinion that there has been no material change in the carrying value of these assets since that revaluation.

In 2013 SIEA engaged Sinclair Knights Mertz (SKM) to carry out an independent valuation of the following classes of assets:

Generators
Distribution network
Plant and equipment

The valuation methodology utilised by SKM was the optimised depreciated replacement cost (ODRC) approach which is generally considered to represent the minimum cost of replacing the service potential embodied in the network with modern equivalent assets in the most efficient manner from an engineering perspective given the service requirements, the age and condition of the existing assets.

In 2013 SIEA also engaged Value Solutions Appraisal to carry out an independent valuation of all land and buildings. Land and buildings were valued at fair value, based upon market based evidence, upon the appraisal of professionally qualified valuers.

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

	2015 SBD	2014 SBD
Perpetual Estate Land	3,468,740	3,468,740
Leasehold Land	23,283,197	23,283,197
Amortisation of Leasehold Land	(2,469,330)	(1,234,665)
	<u>24,282,607</u>	<u>25,517,272</u>

12 Cash and cash equivalents

Cash on hand	43,000	43,000
Cash at bank	150,793,397	75,368,436
	<u>150,836,397</u>	<u>75,411,436</u>

13 Inventories

Electrical and mechanical	10,946,653	8,855,512
	<u>10,946,653</u>	<u>8,855,512</u>

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

14 Receivables

Current

Trade receivables - kilowatt (Kwh)	43,685,466	68,269,984
Allowance for impairment - kilowatt (Kwh)	(12,020,126)	(24,912,530)
Trade receivables - CashPower	16,561,419	16,499,246
Allowance for impairment - CashPower	(15,779,688)	(13,559,978)
Related party - Solomon Islands Water Authority	937,500	937,500
Related party - Solomon Islands Broadcasting Corporation	600,000	600,000
Staff advances	449,431	247,259
Allowance for impairment - staff advances	(47,778)	(56,598)
Unread meters	14,076,376	13,904,118
Other debtors	72,304	8,096,232
	<u>48,534,905</u>	<u>70,025,232</u>

Non-current

Related party - Solomon Islands Water Authority	3,750,000	4,687,500
Deferred income - Solomon Islands Water Authority	(660,442)	(909,668)
Related party - Solomon Islands Broadcasting Corporation	1,721,381	2,371,381
Deferred income - Solomon Islands Broadcasting Corporation	(109,361)	(186,953)
	<u>4,710,577</u>	<u>5,962,260</u>

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14 Receivables continued

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

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

	2015 SBD	2014 SBD
Allowance for impairment		
Balance at 1 January	38,529,107	37,412,708
Impairment recognised	(3,997,994)	4,604,834
Bad debts written off during the year	(6,683,521)	(3,488,436)
Balance at 31 December	<u>27,847,591</u>	<u>38,529,107</u>

15 Contributed capital

Contributed capital	<u>246,933,170</u>	<u>246,933,170</u>
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Capital represents the Government's contribution to the establishment of SIEA. This is not in the form of shares.

16 Deferred income

Balance at 1 January	32,681,165	32,013,589
Additional deferred income	2,647,397	3,240,310
Deferred income recognised during the year	(2,865,319)	(2,572,734)
Balance at 31 December	<u>32,463,243</u>	<u>32,681,165</u>

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

Current	3,143,547	2,787,234
Non-current	<u>29,319,696</u>	<u>29,893,931</u>
	<u>32,463,243</u>	<u>32,681,165</u>

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

In 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 profit or loss over the life of the solar grid.

In 2013 a grant of approximately \$3,058,000 was received from the World Bank through the Solomon Islands Sustainable Energy Project (SISEP) to fund the installation of a 33kv cable in Honiara. This project was completed in May 2015 and the value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the profit or loss over the life of the cabling.

In 2013 a grant of approximately \$1,493,000 was received from the World Bank through the Solomon Islands Sustainable Energy Project (SISEP) to fund the installation of 11kv switchgear in Honiara. This project was completed in January 2015 and the value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the profit or loss over the life of the equipment.

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16 Deferred income continued

In 2013 a grant of approximately \$839,000 was received from the World Bank through the Solomon Islands Sustainable Energy Project (SISEP) to fund the installation of cooling radiators at the Lungga Power Station. This project was completed in June 2015 and the value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the profit or loss over the life of the radiators.

In 2015 a grant of approximately \$765,000 was received from the Asian Development Bank to fund the construction of a Coconut Oil Conditioning Unit on Auki. The value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the profit or loss over the life of the unit.

In 2015 a grant of approximately \$1,015,000 was received from the Asian Development Bank to fund the procurement of a Generator Set on Auki. The value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the profit or loss over the life of the generator.

In 2015 a grant of approximately \$867,000 was received from the Asian Development Bank to fund the procurement of 11kV and 415v Distribution Equipment for the Auki Power Generation and Distribution Pilot Project. The value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the profit or loss over the life of the equipment.

17 Trade and other payables	2015	2014
	SBD	SBD
Current		
Trade creditors	11,476,362	6,205,616
Other payables and accruals	17,742,508	16,191,799
Consumer deposits	2,830,687	2,259,346
	<u>32,049,557</u>	<u>24,656,762</u>

18 Related parties

a) Directors

The Directors in office were as follows:

Name

David K.C. Quan - chairman (appointed 19 February 2016)
 Adrian Wickham - chairman (retired 18 February 2016)
 David Laurie - (appointed April 2010)
 Harry Zoleveke - (appointed June 2012)
 Henry Kapu - (appointed June 2012)
 John B Houanihau - (appointed September 2014)
 Rovaly Sike - (appointed September 2014)
 Sebastian Ilala - (appointed June 2012)
 Yolande Yates - (appointed September 2014)

Directors' fees and expenses are disclosed in Note 9.

SIEA's transactions with Directors were at arms length.

b) Identity of related parties

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

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18 Related parties continued

c) Amounts receivable from related parties

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

Central Bank of Solomon Islands	100,198	109,808
Central Provincial Government	248,735	18,024
Commodity Export Marketing Authority	-	60,212
Home Finance Corporation	50,458	41,422
Honiara City Council	381,005	715,625
Makira/Ulawa Provincial Government	63,291	1,586,637
Malaita Provincial Government	109,984	467,460
Provincial Hospital	1,953,352	1,064,979
Solomon Airlines Limited	147,471	93,746
Solomon Islands Broadcasting Corporation	2,479,309	3,289,601
Solomon Islands College Of Higher Education	214,736	-
Solomon Islands Government	9,712,885	7,055,952
Solomon Islands National University	126,176	1,114,637
Solomon Islands Ports Authority	36,230	767,492
Solomon Islands Postal Corporation	94,728	910,898
Solomon Islands Water Authority	5,133,572	8,413,174
Temotu Provincial Government	78,812	53,069
Western Provincial Government	456,176	20,267
Isabel Provincial Government	180,358	1,120,448
	<u>21,567,476</u>	<u>26,903,451</u>

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

d) Transactions with key management personnel

Key management personnel comprises of the Chief Executive Officer, Chief Financial Officer, General Manager Capital Works, Chief Engineer, General Manager Corporate Services, General Manager Customer Services, Planning Engineer, Financial Controller, Regulatory Manager, Property Manager, Health & Safety Manager, Manager Generation and Outstations, Distribution Manager, Chief Accountant and the directors as listed in note 18 (a).

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

	2015	2014
	SBD	SBD
Short-term employee benefits	14,078,027	8,020,947
	<u>14,078,027</u>	<u>8,020,947</u>

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.

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19 Commitments and contingencies

Capital commitments

SIEA undertakes capital works and purchases assets according to an approved budget when management consider that sufficient funds are available. Capital commitments as at 31 December 2015 amounted to \$655,000,000 (2014: \$412,000,000). These commitments are in relation to property, plant and equipment.

Less Than 1 Year	195,000,000	158,000,000
Between 1 year and 5 years	460,000,000	254,000,000
	<u>655,000,000</u>	<u>412,000,000</u>

Contingent liabilities

As at the end of the year SIEA was a party to a single trade related issue. The Director of the Environment has requested that an acoustic and noise assessment be undertaken at the Honiara power station pursuant to the granting of a licence under the Environment Act. If the assessment is negative the Director of the Environment can exercise an abatement notice against the power station. If this was the case a significant amount of maintenance would be required to rectify the situation. This capital expenditure has been estimated to be about SBD 5 million.

20 Capital management

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

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

SIEA is subject to the requirements of the loan facility agreement with Westpac and NPF that does impose some restrictions and reporting requirements for capital including capital management analysis and ratios

21 Subsequent events

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

22 World Bank Financing

a) Financial Support Received

The Solomon Power received financial support from the World Bank IDA credit 5379-SB and IDA credits No.H415-SB and H913-SB dated 31/12/2015 to support implementation of consulting services expended under the Solomon Islands Sustainable Energy Project (SISEP).

b) Amounts Received

The total amounts received from World Bank IDA for grant No.H415-SB and H913-SB since it's commencement were US\$4,169,340 as at 31 December 2015.

c) Use of the Proceeds

The proceeds of the World Bank grant/credit have been expended in accordance with the intended purposes as specified in the Legal Agreement.

d) Credit Funds

For the credit funds these will be required to be repaid and will be shown in the current/non-current liabilities when the loans are drawn down.

Summary information on transactions taking place during the year is as follows:

Amounts received during the year	Current year US\$	Preceding year US\$
H415-SB	120,313	76,177
H913-SB	99,990	0
Expenditures during the year	120,338	115,540