



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

Financial Statements

For the year ended

31 December 2016

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 2016 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 - (retired August 2016)
Harry Zoleveke - (appointed June 2012)
Henry Kapu - (appointed June 2012)
John B Houanihau - (appointed September 2014)
Rovaly Sike - (appointed September 2014)
Sebastian Ilala - (appointed June 2012)
Yolande Yates - (appointed September 2014)

State of affairs

In complying with the Electricity Act (Cap 128) and the State Owned Enterprises Act of 2007, the Directors hereby submit the financial statements of SIEA consisting of the statement of financial position as at 31 December 2016, statement of comprehensive income, statement of changes in equity and statement of cash flows of SIEA for the year then ended.

Principal activity

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

Results

The comprehensive income for the year was SBD 205,463,841 (2015: comprehensive income of SBD 106,687,296).

Dividends

The Directors have declared but not yet paid a dividend of SBD 4,400,400 for the year (2015: SBD \$nil).

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 29th day of March 2017.

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 Islands Electricity Authority, which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, the statement of changes in equity, and 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 Islands Electricity Authority give a true and fair view of the financial position of the authority as at 31 December 2016 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, 2017

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 2016

	Notes	2016 SBD	2015 SBD
Operating income			
Electricity sales		437,528,391	439,887,311
Grant income		6,436,883	4,425,527
Other operating income	7	6,437,901	2,819,563
Total operating income		450,403,175	447,132,402
Expenses			
Generation and distribution	8	187,348,883	205,913,348
Administration	9	61,343,934	65,350,110
Operating	10	30,807,434	31,836,151
Depreciation and amortisation	11	46,006,826	40,549,658
Allowance for uncollectability	14	(861,604)	(3,997,994)
Inventory & asset write-off		1,134,219	1,850,967
Revaluation decrement - property, plant & equipment	11	158,334	-
Total expenses		325,938,025	341,502,239
Gain from operations		124,465,150	105,630,162
Foreign exchange gain / (loss)		(4,416,280)	1,057,134
Net profit for the year		120,048,870	106,687,296
Other comprehensive income			
Revaluation increment - property, plant & equipment	11	85,414,971	-
Total comprehensive income for the year		205,463,841	106,687,296

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 2016

Assets	Notes	2016 SBD	2015 SBD
Current assets			
Cash and cash equivalents	12	201,187,479	150,836,397
Held to maturity investment		92,847,409	67,440,738
Inventories	13	15,458,291	10,946,653
Receivables	14	50,846,761	48,534,905
Prepayments		1,066,037	1,291,835
Total current assets		361,405,978	279,050,528
Non-current assets			
Property, plant and equipment	11	714,037,972	550,989,546
Receivables	14	3,234,185	4,710,577
Total non-current assets		717,272,157	555,700,123
Total assets		1,078,678,135	834,750,651
Liabilities			
Current liabilities			
Deferred income	16	6,392,961	3,143,547
Trade and other payables	17	46,136,620	32,049,557
Employee benefits		391,109	966,806
Total current liabilities		52,920,690	36,159,910
Non-current liabilities			
Deferred income	16	55,422,959	29,319,696
Total non-current liabilities		55,422,959	29,319,696
Total liabilities		108,343,649	65,479,606
Equity			
Contributed capital	15	246,933,170	246,933,170
Asset revaluation reserve		384,889,703	299,474,732
Accumulated profit		338,511,612	222,863,143
Total equity		970,334,486	769,271,045
Total equity and liabilities		1,078,678,135	834,750,651

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 2016

	Note	Contributed capital SBD	Asset revaluation reserves SBD	Accumulated retained earnings SBD	Total SBD
Balance at 1 January 2015		246,933,170	299,474,732	116,175,846	662,583,749
Total comprehensive loss 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>
Balance at 1 January 2016		246,933,170	299,474,732	222,863,143	769,271,045
Total comprehensive income for the year					
Net profit for the year		-	-	120,048,870	120,048,870
Revaluation of property, plant and equipment	11	-	85,414,971	-	85,414,971
Transactions with owners of SIEA directly recognised in equity					
Dividend declared during the year		-	-	(4,400,400)	(4,400,400)
Balance at 31 December 2016		<u>246,933,170</u>	<u>384,889,703</u>	<u>338,511,612</u>	<u>970,334,486</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 2016

	Note	2016 SBD	2015 SBD
Operating activities			
Cash receipts from customers		440,076,358	470,666,646
Cash payments to suppliers and employees		<u>(275,135,484)</u>	<u>(298,058,066)</u>
Net cash provided by operating activities		<u>164,940,874</u>	<u>172,608,580</u>
Investing activities			
(Payment) / withdrawal for held to maturity investments		(25,406,671)	31,688,069
Net payments for property, plant and equipment	11	<u>(124,972,680)</u>	<u>(133,079,293)</u>
Net cash used in investing activities		<u>(150,379,351)</u>	<u>(101,391,224)</u>
Financing activities			
Cash receipts from donor grants		<u>35,789,560</u>	<u>4,207,606</u>
Net cash provided by financing activities		<u>35,789,560</u>	<u>4,207,606</u>
Net increase in cash and cash equivalents		50,351,082	75,424,961
Cash and cash equivalents at 1 January		<u>150,836,397</u>	<u>75,411,436</u>
Cash and cash equivalents at 31 December	12	<u>201,187,479</u>	<u>150,836,397</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 2016

1 Reporting entity

Solomon Islands Electricity Authority (SIEA) is a state owned enterprise established under the Solomon Islands Electricity Authority Act 2007. SIEA's registered office and principal place of business is at the Ranadi Complex, East Honiara, Solomon Islands.

There are no subsidiary companies.

2 Nature of operations

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

3 Basis of preparation

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

a) Presentation of currency

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

4 Measurement basis

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

5 Specific accounting policies

a) Basis of consolidation

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

b) Goodwill

SIEA does not recognise any goodwill.

c) Revenue

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

Solomon Islands Electricity Authority
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Notes to the financial statements
For the year ended 31 December 2016

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
For the year ended 31 December 2016**

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
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Notes to the financial statements
For the year ended 31 December 2016

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
For the year ended 31 December 2016

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
For the year ended 31 December 2016

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
For the year ended 31 December 2016

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.

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.

Solomon Islands Electricity Authority
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Notes to the financial statements
For the year ended 31 December 2016

5 Specific accounting policies continued

k) Employee benefits

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

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

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

Contributions to defined contribution plans are expensed when incurred.

SIEA deducts and pays 5 per cent of the employee's gross salaries and contributes 7.5 per cent of employee's gross salaries to the Solomon Islands National Provident Fund. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in 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.

p) Dividends

Beginning in 2016 SIEA adopted a policy determining that the dividend payable to Solomon Islands government each year would be equal to the amount of the community service obligation receipts, received in the same year.

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Notes to the financial statements
For the year ended 31 December 2016

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:

	2016 SBD	2015 SBD
Cash at bank	201,144,479	150,793,397
Receivables - current	37,330,659	34,458,529
- non-current	3,234,185	4,710,577
	<u>241,709,323</u>	<u>189,962,503</u>
Receivables are determined impaired as follows:		
Trade and other receivables		
Gross receivables	69,907,659	67,016,697
Provision for impairment	(29,342,815)	(27,847,591)
	<u>40,564,844</u>	<u>39,169,106</u>

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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 2016

	Carrying amount SBD	6 months or less SBD	6-12 months SBD	Greater than 1 year SBD
Financial liabilities				
Trade and other payables	46,136,620	46,136,620	-	-
Employee benefits	391,109	391,109	-	-
	<u>46,527,729</u>	<u>46,527,729</u>	<u>-</u>	<u>-</u>

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>

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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 \$129,661,000 (\$149,930,000 in 2015) comprises about 40% of the expenditure of SIEA, so movements in fuel prices are critical to the profitability of SIEA. Fortunately, the quarterly tariff review considers the fuel price movements, therefore there is a natural hedge against fuel price movements. Taking 2016 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	420,400	429,000	437,500	446,000	454,600
Expenditure	304,500	311,000	317,500	324,000	330,500
Net Profit	115,900	118,000	120,000	122,000	124,100

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.

	2016	2015
	SBD	SBD
7 Other operating income		
Community service obligation	4,400,400	-
Other	2,029,371	2,303,163
Reconnections	8,130	516,400
	<u>6,437,901</u>	<u>2,819,563</u>

8 Generation and distribution

Bought in electricity	5,557,395	6,160,216
Fuel	129,691,478	149,930,357
Lubricating oil	3,748,438	4,876,902
Other	1,992,000	2,047,725
Personnel	25,293,211	18,922,237
Repairs and maintenance	21,066,362	23,975,911
	<u>187,348,883</u>	<u>205,913,348</u>

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9 Administration	2016	2015
	SBD	SBD
Advertising	2,100,749	1,634,351
Bank fees	1,130,589	626,005
Computer bureau charges	1,744,076	1,287,256
Consultancy fees	13,301,915	13,646,402
Directors fees and expenses	394,623	382,816
Electricity	3,816,113	1,782,474
Electricity rebate	1,001,382	1,076,404
Freight	213,246	363,978
Insurance	1,596,240	1,529,051
Personnel	19,153,639	20,680,535
Printing and stationery	2,410,953	2,715,237
Professional fees	1,743,848	892,004
Property expenses	4,017,097	6,488,127
Tax Penalties	206,579	2,322,733
Telecommunications	4,478,374	5,232,115
Travel and accommodation	4,034,508	4,690,621
	<u>61,343,934</u>	<u>65,350,110</u>
10 Operating expenses		
Customs handling charges	3,392,858	5,259,541
Other	-	897,544
Personnel	17,953,848	16,887,379
Repairs and maintenance	5,650,408	5,298,689
Vehicle costs	3,810,321	3,492,996
	<u>30,807,434</u>	<u>31,836,151</u>

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11 Property, plant and equipment

Cost / Revaluation

Balance as 1 January 2015

	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
Reclassifications	-	-	-	-	-	-	-	-	-	-
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	14,303,011	-	-	-	(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
Off set of accumulated depreciation as a result of a revaluation	-	(6,721,350)	(25,239,620)	(5,078,656)	(11,947,817)	-	-	-	-	(48,987,442)
Adjustment to asset revaluation reserve resulting from a revaluation	23,601,405	31,814,293	574,422	168,041	29,256,811	-	-	-	-	85,414,971
Additions	-	7,153,024	47,938,778	21,059	965,075	5,587,640	1,181,180	1,297,215	60,838,708	124,972,680
Disposals	(38,000)	(1,096,800)	(10,877,536)	(59,064)	(20,303)	-	(185,712)	-	-	(12,277,416)
Work in progress capitalised	3,515,837	92,470,938	48,682,500	178,557	2,059,662	369,294	-	(147,276,789)	-	-
Revaluation decrement	-	(158,334)	-	-	-	-	-	-	-	(158,334)
Balance at 31 December 2016	53,831,179	157,548,120	190,166,769	49,998,834	200,310,571	21,120,828	24,395,595	6,487,235	76,878,824	780,737,955

Breakdown of cost/revaluation

2011 Valuation

2013 Valuation

2016 Valuation

Cost

Balance at 31 December 2016

Depreciation and impairment loss

Balance as 1 January 2015

Depreciation

Amortisation of leasehold land

Depreciation on disposed assets

Balance at 31 December 2015

Depreciation

Amortisation of leasehold land

Off set of accumulated depreciation as a result of a revaluation

Depreciation on disposed assets

Balance at 31 December 2016

Carrying amounts

At 31 December 2014

At 31 December 2015

At 31 December 2016

	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
2011 Valuation	-	-	-	-	-	-	-	-	-	-
2013 Valuation	564,117	6,658,552	171,550	17,130,540	25,668,207	-	1,172,968	249,941	-	1,422,910
2016 Valuation	49,751,225	61,916,918	93,373,939	30,899,771	168,190,283	-	-	-	-	50,192,966
Cost	3,515,837	88,972,649	96,621,279	1,968,523	6,452,082	21,120,828	23,222,626	6,237,294	76,878,824	324,989,943
Balance at 31 December 2016	53,831,179	157,548,120	190,166,768	49,998,834	200,310,571	21,120,828	24,395,595	6,487,235	76,878,824	780,737,955
Balance as 1 January 2015	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	-	1,594,016	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
Depreciation	-	5,138,502	17,103,251	3,742,824	7,831,258	4,237,140	4,511,654	2,207,531	-	44,772,161
Amortisation of leasehold land	1,234,665	-	-	-	-	-	-	-	-	1,234,665
Off set of accumulated depreciation as a result of a revaluation	-	(6,721,350)	(25,239,620)	(5,078,656)	(11,947,817)	-	-	-	-	(48,987,442)
Depreciation on disposed assets	-	(240,775)	(10,597,496)	(59,064)	(20,303)	-	(185,712)	-	-	(11,103,350)
Balance at 31 December 2016	3,703,995	1,037,089	17,107,540	5,511,731	8,520,169	11,031,057	15,605,099	4,183,305	-	66,699,983
Carrying amounts										
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
At 31 December 2016	50,127,184	156,511,031	173,059,229	44,487,104	191,790,402	10,089,772	8,790,496	2,303,930	76,878,824	714,037,972

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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.

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

Generators
Distribution network
Plant and equipment

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

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

The combined results of this valuation process was an increase in fixed assets and the asset revaluation reserve of \$85,256,638 as detailed in the table above. However, this increase in value was partially offset by an impairment loss of \$158,334, also as detailed in the table above and expensed in the profit or loss.

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

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.

	2016 SBD	2015 SBD
Perpetual Estate Land	3,190,877	3,468,740
Leasehold Land	50,640,302	23,283,197
Amortisation of Leasehold Land	(3,703,995)	(2,469,330)
	<u>50,127,184</u>	<u>24,282,607</u>

12 Cash and cash equivalents

Cash on hand	43,000	43,000
Cash at bank	201,144,479	150,793,397
	<u>201,187,479</u>	<u>150,836,397</u>

13 Inventories

Electrical and mechanical	15,458,291	10,946,653
	<u>15,458,291</u>	<u>10,946,653</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)	48,733,228	43,685,466
Allowance for impairment - kilowatt (Kwh)	(14,208,187)	(12,020,126)
Trade receivables - CashPower	15,602,230	16,561,419
Allowance for impairment - CashPower	(15,105,642)	(15,779,688)
Related party - Solomon Islands Water Authority	937,500	937,500
Related party - Solomon Islands Broadcasting Corporation	891,426	600,000
Staff advances	289,858	449,431
Allowance for impairment- staff advances	(28,986)	(47,778)
Unread meters	13,516,102	14,076,376
Other debtors	219,233	72,304
	<u>50,846,761</u>	<u>48,534,905</u>

Non-current

Related party - Solomon Islands Water Authority	2,890,625	3,750,000
Deferred income - Solomon Islands Water Authority	(447,595)	(660,442)
Related party - Solomon Islands Broadcasting Corporation	829,955	1,721,381
Deferred income - Solomon Islands Broadcasting Corporation	(38,800)	(100,361)
	<u>3,234,185</u>	<u>4,710,577</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.

	2016 SBD	2015 SBD
Allowance for impairment		
Balance at 1 January	27,847,591	38,529,107
Impairment recognised	(861,604)	(3,997,994)
Bad debts written off during the year	2,356,828	(6,683,521)
Balance at 31 December	<u>29,342,815</u>	<u>27,847,591</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	32,463,243	32,681,165
Additional deferred income	34,120,931	2,647,397
Deferred income recognised during the year	(4,768,254)	(2,865,319)
Balance at 31 December	<u>61,815,920</u>	<u>32,463,243</u>

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

Current	6,392,961	3,143,547
Non-current	<u>55,422,959</u>	<u>29,319,696</u>
	<u>61,815,920</u>	<u>32,463,243</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.

In 2016 a grant of approximately \$32,500,000 was received from the United Arab Emirates Pacific Partnership Fund to fund a 50 KW solar grid at Henderson in Honiara. The value of the capital works has been accounted for by SIEA as a non-current asset with a corresponding amount taken to deferred income. The deferred income is being amortised to the profit or loss over the life of the solar grid.

In 2016 a grant of approximately \$1,627,000 was received from the Italian Ministry for the Environment, Land and Sea to fund simulation software to enable SIEA to carry out electricity network planning together with the necessary training and consulting services. The deferred income will be amortised to profit and loss over the life of the project commencing in 2017.

17 Trade and other payables	2016	2015
	SBD	SBD
Current		
Trade creditors	1,757,259	11,476,362
Other payables and accruals	41,016,269	17,742,508
Consumer deposits	3,363,092	2,830,687
	<u>46,136,620</u>	<u>32,049,557</u>

18 Related parties

a) Directors

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

Name
David K.C. Quan - chairman (appointed 19 February 2016)
Adrian Wickham - chairman (retired 18 February 2016)
David Laurie - (retired August 2016)
Harry Zolevke - (appointed June 2012)
Henry Kapu - (appointed June 2012)
John B Houanithau - (appointed September 2014)
Rovaly Sika - (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	315,764	248,735
Central Provincial Government	8,048	100,198
Commodity Export Marketing Authority	1,207	-
Home Finance Corporation	(213,585)	50,458
Honiara City Council	533,399	381,005
Makira/Ulawa Provincial Government	12,881	63,291
Malaita Provincial Government	(5,038)	109,984
Ministry of Fisheries and Marine Resources	7,237,938	-
Provincial Hospital	83,958	1,953,352
Solomon Airlines Limited	115,240	147,471
Solomon Islands Broadcasting Corporation	2,066,723	2,479,309
Solomon Islands College Of Higher Education	-	214,736
Solomon Islands Government	3,076,627	9,712,885
Solomon Islands National University	453,654	126,176
Solomon Islands Ports Authority	513,271	36,230
Solomon Islands Postal Corporation	118,372	94,728
Solomon Islands Tourist Authority	17,463	-
Solomon Islands Water Authority	4,135,438	5,133,572
Temotu Provincial Government	3,958	78,812
Western Provincial Government	8,315	456,176
Isabel Provincial Government	(693)	180,358
	<u>18,482,938</u>	<u>21,567,476</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, Manager Finance, Regulatory Manager, Property Manager, Health, Safety, Security & Environment 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:

	2016	2015
	SBD	SBD
Short-term employee benefits	15,177,340	14,078,027
	<u>15,177,340</u>	<u>14,078,027</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 2016 amounted to \$771,000,000 (2015: \$655,000,000). These commitments are in relation to property, plant and equipment.

Less Than 1 Year	158,000,000	195,000,000
Between 1 year and 5 years	613,000,000	460,000,000
	<u>771,000,000</u>	<u>655,000,000</u>

Contingent liabilities

As at the end of the year SIEA was not party to any unsatisfied judgements and did not have any contingent liabilities under contracts or guarantees other than those arising in the normal course of business.

20 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.

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

Solomon Power received financial support from the World Bank IDA credit 5379-SB and IDA credits H415-SB and H913-SB dated 31/12/2015 to support the implementation of consulting services expended under the Solomon Islands Sustainable Energy Project (SISEP).

b) Amounts Received

The total amount received from the World Bank IDA for grant numbers H415-SB and H913-SB since their commencement was US\$4,380,873 as at 31 December 2016.

c) Use of the Proceeds

The proceeds of the World Bank grants and credits have been expended in accordance with the intended purposes as specified in the Legal Agreement.

d) Credit Funds

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

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

	2016 USD	2015 USD
Receipts		
H415-SB	63,411	120,313
H913-SB	148,122	99,990
Credit Funds		
5379-SB	551,383	-
Expenses	226,905	120,338