

Solomon Islands Electricity Authority

Financial Statements

For year ended

31 December 2010

Solomon Islands Electricity Authority
For the year ended 31 December 2010

Contents

Directors' report	1
Independent auditors' report	2-4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of financial position	7
Statement of cash flows	8
Notes to the financial statements	9-23

Solomon Islands Electricity Authority

Director's report

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

Directors

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

Alex Douglas
Anthony Makabo
David Laurie
Joses Tahua
Mamu Paza
Nanette Tutua
Stephen Panga

State of affairs

In complying with the Electricity Act (Cap 128) and the State Owned Enterprises Act of 2007, the directors hereby submit the financial statements of the Authority as at 31 December 2010 consisting of the statements of financial position, profit and loss, changes in equity and statement of cash flows of the Authority for the year then ended.

Principal activity

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

Results

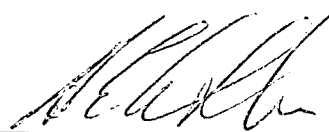
The net loss amounted to \$69,917,236 (2009: Net loss \$8,698,607)

Dividends

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

Dated at Honiara, Solomon Islands this 26th day of January 2011

Signed in accordance with a resolution of the directors



Chairman



Director



INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Electricity Authority

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

Directors and management's responsibility for the financial statements

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

Auditors' responsibility

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

Basis for disclaimer of opinion

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

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

3) *Inventories*

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

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

4) *Trade, other receivables and electricity sales*

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

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

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

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

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

Disclaimer of Opinion

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

Emphases of matter

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

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

A handwritten signature in black ink, appearing to read 'ERONIA', with a long horizontal flourish extending to the right.

Edward Ronia
Auditor-General

Office of the Auditor-General
Solomon Islands

23 April 2012

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

	Note	2010 SBD	2009 SBD
Electricity sales		258,871,110	243,496,957
Grant income		2,505,234	2,505,234
Other operating income		<u>1,391,943</u>	<u>-</u>
		262,768,287	246,002,191
Less expenses			
Generation	5	(217,375,736)	(193,207,826)
Distribution	6	(4,295,140)	(7,007,565)
Workshops		(5,117,991)	(4,094,932)
Administration	7	(35,210,276)	(14,414,080)
Doubtful debts expense		(57,315,926)	(32,582,739)
Inventory write-off during the year		(7,576,926)	-
Impairment loss - property, plant and equipment		(738,353)	-
Other expenses		<u>(5,193,213)</u>	<u>(3,291,363)</u>
Loss from operations		(70,055,274)	(8,596,314)
Finance income	9	138,038	-
Finance cost	9	-	(102,293)
Net loss for the year		<u>(69,917,236)</u>	<u>(8,698,607)</u>
Other comprehensive income			
Revaluation surplus		3,922,425	-
Total comprehensive loss for the year		<u>(65,994,811)</u>	<u>(8,698,607)</u>

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

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

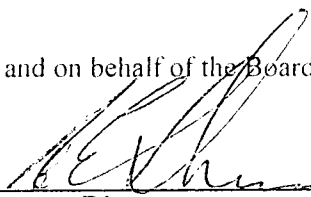
	Contributed capital SBD	Asset revaluation reserves SBD	Accumulated losses SBD	Total SBD
Balance at 1 January 2009	246,933,170	54,507,821	(179,796,672)	121,644,319
<i>Total comprehensive loss for the year</i>				
Net loss for the year	-	-	(8,698,607)	(8,698,607)
Reported balance at 31 December 2009	246,933,170	54,507,821	(188,495,279)	112,945,712
Adjustment for prior period errors (refer note 19)	-	-	103,824,173	103,824,173
Restated balance at 1 January 2010	246,933,170	54,507,821	(84,671,106)	216,769,885
<i>Total comprehensive loss for the year</i>				
Net loss for the year	-	-	(69,917,236)	(69,917,236)
Other comprehensive income	-	3,922,425	-	3,922,425
<i>Transaction with owners of the Authority directly recognised in equity</i>				
Grant received during the year	2,373,518	-	-	2,373,518
Balance at 31 December 2010	249,306,688	58,430,246	(154,588,342)	256,972,765

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

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

Assets	Note	2010 SBD	2009 SBD
Non-current assets			
Property, plant and equipment	10	161,744,048	123,328,216
Total non-current assets		<u>161,744,048</u>	<u>123,328,216</u>
Current assets			
Cash and cash equivalents	11	12,907,292	3,720,311
Inventories	12	11,609,628	13,521,691
Trade and other receivables	13	51,493,896	35,955,259
Total current assets		<u>76,010,816</u>	<u>53,197,261</u>
Total assets		<u>237,754,864</u>	<u>176,525,477</u>
Equity			
Contributed capital	14	249,306,688	246,933,170
Reserves		58,430,246	54,507,821
Accumulated losses		(154,588,342)	(188,495,279)
Total equity		<u>153,148,592</u>	<u>112,945,712</u>
Non-current liabilities			
Deferred income	15	34,139,305	36,644,539
Trade and other payables	16	12,997,412	8,049,623
Employee benefits		769,764	1,882,096
Total non-current liabilities		<u>47,906,481</u>	<u>46,576,258</u>
Current liabilities			
Trade and other payables	16	36,699,791	17,003,507
Total current liabilities		<u>36,699,791</u>	<u>17,003,507</u>
Total liabilities		<u>84,606,272</u>	<u>63,579,765</u>
Total equity and liabilities		<u>237,754,864</u>	<u>176,525,477</u>

Signed for and on behalf of the Board of Directors



 Director



 Director

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

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

	Note	2010 SBD	2009 SBD
Operating activities			
Cash received from customers		193,140,028	263,436,484
Cash paid to suppliers and employees		<u>(177,172,394)</u>	<u>(251,218,578)</u>
Net cash provided by operating activities		<u>15,967,634</u>	<u>12,217,906</u>
Investing activities			
Payments for property, plant and equipment		<u>(6,780,653)</u>	<u>(8,399,123)</u>
Net cash used in investing activities		<u>(6,780,653)</u>	<u>(8,399,123)</u>
Financing activities			
Repayment of borrowings		<u>-</u>	<u>(3,347,473)</u>
Net cash used in financing activities		<u>-</u>	<u>(3,347,473)</u>
Net increase in cash and cash equivalents		9,186,981	471,310
Cash and cash equivalents at the beginning of the year		<u>3,720,311</u>	<u>3,249,001</u>
Cash and cash equivalents at 31 December	11	<u>12,907,292</u>	<u>3,720,311</u>

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

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

1. Reporting entity

Solomon Islands Electricity Authority (the "Authority") is a state owned enterprise established under the Solomon Islands Electricity Authority Act 2007. The address of the Authority's registered office and principal place of business is Ranadi Complex, East Honiara, Solomon Islands. The principal activity of the Authority during the year was the generation and distribution of electricity to the Solomon Islands.

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors on 26TH JANUARY 2012

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

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

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

3. Significant accounting policies

The principal accounting policies adopted by the Authority are stated to assist in a general understanding of the financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Solomon Island dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Solomon Island dollars at the exchange rate at that date. The foreign currency gain or loss on translation is recognised in the profit or loss.

(b) Financial instruments

(i) Non derivative financial assets

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

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

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

The Authority classifies non-derivative financial assets into loans and receivables.

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 effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Trade and other receivables

Trade receivables and other assets are measured at initial recognition at fair value. Subsequently, appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.

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

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Non derivative financial liabilities

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

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

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

Other financial liabilities comprise loans and borrowings and trade and other payables.

(iii) Contributed capital

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

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

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

3. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(iii) Depreciation

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

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Land	Not depreciated
Buildings	2%
Plant and equipment	5.7%
Distribution network	5%
Office furniture and equipment	15%
Motor vehicles	13.5%
Tools	10.5%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and selling prices.

(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 the Authority on terms that the Authority will not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

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

3. Significant accounting policies (continued)

(e) Impairment (continued)

Loans and receivables

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. 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 in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

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

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

The Authority is exempt from income tax under the Solomon Islands Electricity Authority Act 2007.

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

3. Significant accounting policies (continued)

(g) Employee benefits

i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Authority deducts and pays 5 percent of the employees' gross salaries and contributes 7.5 percent of employees gross salaries to the Solomon Islands National Provident Fund. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

ii) Short-term benefits

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

(h) Trade payables and other payables

Trade and other payables are stated at cost.

(i) Revenue recognition

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

(j) Finance costs

Financing costs comprises of interest expense on borrowings and foreign exchange losses.

(k) Grants

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

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

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

4. Financial risk management

Overview

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

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

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

Risk management framework

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

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

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

(i) Credit risk

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

Trade and other receivables

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

The Authority establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component established for groups of similar asset in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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

4. Financial risk management (continued)

(i) Credit risk (continued)

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

	2010	2009
	SBD	SBD
Cash at bank	12,907,292	3,720,311
Trade receivables	92,006,745	26,275,663
Other receivables	625,751	557,914
	<u>105,539,788</u>	<u>30,553,888</u>

Trade and other receivables are determined impaired as follows:

<u>Trade and other receivables</u>		
Gross receivables	92,632,496	26,833,577
Specific impairment	(57,432,329)	-
	<u>35,200,167</u>	<u>26,833,577</u>

(ii) Liquidity risk

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

Typically the Authority ensured that it has sufficient cash on demand to meet operational expenses including the servicing of financial obligations; this 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 and financial assets:

31 December 2010

	Carrying amount SBD	6 months or less SBD	6-12 months SBD	Greater than 1 year SBD
<u>Financial assets</u>				
Cash at bank	12,907,292	12,907,292	-	-
Trade and other receivables	92,632,496	92,632,496	-	-
	<u>105,539,788</u>	<u>105,539,788</u>	-	-
<u>Financial liabilities</u>				
Trade and other payables	49,697,203	36,699,791	-	12,997,412
	<u>49,697,203</u>	<u>36,699,791</u>	-	<u>12,997,412</u>

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

4. Financial risk management (continued)

(ii) Liquidity risk (continued)

31 December 2009

	Carrying amount SBD	6 months or less SBD	6-12 months SBD	Greater than 1 year SBD
<u>Financial assets</u>				
Cash at bank	3,720,311	3,720,311	-	-
Trade and other receivables	26,833,577	26,833,577	-	-
	<u>30,553,888</u>	<u>30,553,888</u>	-	-
<u>Financial liabilities</u>				
Trade and other payables	25,053,130	17,003,507	-	8,049,623
	<u>25,053,130</u>	<u>17,003,507</u>	-	<u>8,049,623</u>

(iii) Market risk

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

	2010 SBD	2009 SBD
5. Generation		
Included in generation expenses are the following:		
Depreciation	8,689,125	7,710,296
Engines and lubricants	17,031,387	13,075,554
Fuel	<u>174,456,188</u>	<u>162,571,273</u>
6. Distribution		
Included in distribution expenses are the following:		
Depreciation	1,434,698	1,780,848
Distribution lines	<u>1,606,706</u>	<u>2,767,041</u>

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

	2010	2009
	SBD	SBD
7. Administration		
Included in administration expenses are the following:		
Advertisements	-	322,836
Board fees and expenses	431,679	252,519
Computer bureau charges	1,770,624	-
Customs & port charges	4,350,118	1,992,828
Depreciation	1,319,018	1,255,435
Electricity rebate	1,411,232	2,124,159
Freight	1,358,966	721,150
Inventory obsolescence	-	817,540
Printing & stationery	611,014	888,470
Doubtful debts expense - staff debtors	116,403	-
Repairs and maintenance	1,721,319	1,031,046
Rent	226,226	261,539
Travel and accommodation	1,646,926	736,302
Bad debts write-off - trade receivables	<u>2,403,238</u>	<u>-</u>
8. Personnel expenses		
Wages and salaries expense	15,119,092	10,770,722
Key management compensation	1,616,357	597,150
National Provident Fund contributions	1,105,743	1,031,272
Housing allowance and shift allowances	1,748,160	1,427,784
Other staff related costs	592,059	527,598
	<u>20,181,411</u>	<u>14,354,526</u>
9. Finance income and costs		
<u>Finance income</u>		
Unrealised foreign exchange gains	<u>138,038</u>	<u>-</u>
<u>Finance cost</u>		
Interest on loans	<u>-</u>	<u>102,293</u>

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

10. Property, plant and equipment

	Land and building operational		Land and building non operational		Plant and equipment		Distribution network and office furniture and equipment		Motor vehicles		Tools		Work in progress		Total		
	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	SBD	
Cost / Revaluation																	
Balance as 1 January 2009	17,190,200	13,478,450	99,901,340	23,876,521	2,153,280	4,568,280	212,560	-	161,380,631								
Additions	-	-	5,848,591	-	181,199	2,329,277	40,056	-	8,399,123								
Transfers / Write off	-	(72,190)	(474,826)	(85,903)	(147,855)	(46,150)	(22,717)	-	(849,641)								
Balance at 31 December 2009	17,190,200	13,406,260	105,275,105	23,790,618	2,186,624	6,851,407	229,899	-	168,930,113								
Adjustment for prior period errors	-	405,371	38,500,603	1,519,445	(99,441)	46,150	16,223	-	40,388,351								
Additions	332,560	13,960	767,526	3,568,932	329,532	1,656,946	52,160	59,037	6,780,653								
Off set of accumulated depreciation as a result of revaluation	-	(3,762,546)	-	-	-	-	-	-	(3,762,546)								
Revaluation during the year	-	3,922,425	-	-	-	-	-	-	3,922,425								
Impairment loss	(738,353)	-	-	-	-	-	-	-	(738,353)								
Balance at 31 December 2010	16,784,407	13,985,470	144,543,234	28,878,995	2,416,715	8,554,503	298,282	59,037	215,520,643								
Depreciation																	
Balance as 1 January 2009	2,481,683	2,795,049	21,127,676	5,744,359	904,527	2,222,689	122,137	-	35,398,120								
Depreciation	620,609	709,070	6,870,408	1,460,895	363,831	1,017,516	11,089	-	11,053,418								
Disposals	-	(72,190)	(474,826)	(85,903)	(147,855)	(46,150)	(22,717)	-	(849,641)								
Balance as at 31 December 2009	3,102,292	3,431,929	27,523,258	7,119,351	1,120,503	3,194,055	110,509	-	45,601,897								
Depreciation	368,622	337,997	8,201,165	1,326,268	234,291	769,027	20,068	-	11,257,438								
Off set of accumulated depreciation as a result of revaluation	-	(3,762,546)	-	-	-	-	-	-	(3,762,546)								
Adjustment for prior period errors	-	58,229	311,416	121,742	94,374	56,657	37,388	-	679,806								
Balance at 31 December 2010	3,470,914	65,609	36,035,839	8,567,361	1,449,168	4,019,739	167,965	-	53,776,595								
Carrying amount																	
At 1 January 2009	14,708,517	10,683,401	78,773,664	18,132,162	1,248,753	2,345,591	90,423	-	125,982,511								
At 31 December 2009	14,087,908	9,974,331	77,751,847	16,671,267	1,066,121	3,657,352	119,390	-	123,328,216								
At 31 December 2010	13,313,493	13,919,861	108,507,395	20,311,634	967,547	4,534,764	130,317	59,037	161,744,048								

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

10 Property, plant and equipment (continued)

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

	2010	2009
	SBD	SBD
11. Cash and cash equivalents		
Cash at bank	<u>12,907,292</u>	<u>3,720,311</u>
12. Inventories		
Fuel and lubricants	4,749,962	4,250,433
Electrical and mechanical	6,859,666	10,255,871
Provision for inventory obsolescence	<u>-</u>	<u>(984,613)</u>
	<u>11,609,628</u>	<u>13,521,691</u>
13. Trade and other receivables		
Trade receivables	92,006,745	26,275,663
Provision for doubtful debt- trade receivables	(57,315,926)	-
Staff advances	625,751	557,914
Less provision for doubtful debt- staff debtors	(116,403)	-
Unread meters	<u>16,293,729</u>	<u>9,121,682</u>
	<u>51,493,896</u>	<u>35,955,259</u>
<u>Provision for doubtful debts</u>		
Balance at 1 January	-	36,020,023
Provision for doubtful debts recognised	(57,315,926)	-
Provision for doubtful debts utilised	<u>-</u>	<u>(36,020,023)</u>
Balance at 31 December	<u>(57,315,926)</u>	<u>-</u>
	2010	2009
	SBD	SBD
14. Contributed capital		
Contributed capital	<u>249,306,688</u>	<u>246,933,170</u>

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

In 2010 the Government of Solomon Islands a grant amounting to \$2,373,518 (2009: Nil) under the Solomon Islands Sustainable Energy Project. This has been accounted for as a capital transaction as the government has provided this grant in its capacity as a shareholder.

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

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

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

16. Trade and other payables	2010	2009
	SBD	SBD
<u>Current</u>		
Trade creditors	26,068,776	9,341,019
Other payables and accruals	10,564,106	5,807,216
Consumer deposits	<u>66,909</u>	<u>1,855,272</u>
	<u>36,699,791</u>	<u>17,003,507</u>
<u>Non Current</u>		
Consumer Capital contributions	<u>12,997,412</u>	<u>8,049,623</u>
	<u>12,997,412</u>	<u>8,049,623</u>

17. Related parties

(a) Directors

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

Alex Douglas
 Anthony Makabo
 David Laurie
 Henry Tobani
 Joses Tahua
 Mamu Paza
 Nanette Tutua
 Stephen Panga

Directors fees and expenses are disclosed in Note 7

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

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

17. Related parties (continued)

(b) Identity of related parties

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

(c) Amounts receivable from related parties

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

	2010	2009
	SBD	SBD
Solomon Islands Broadcasting Corporation	2,409,247	1,498,853
Solomon Islands Tourist Authority	7,391	10,578
Solomon Islands Printers Limited	65,770	75,401
Sasape Marina Limited	54,891	40,448
Solomon Airlines Limited	55,915	21,398
Solomon Islands Postal Corporation	55,527	406,209
Solomon Islands Water Authority	22,635,612	13,909,283
Solomon Islands Ports Authority	219,346	209,325
Commodity Export Marketing Authority	-	157,954
Home Finance Corporation	-	138,034
Guadacanal Provincial Government	-	1,228,190
Malaita Provincial Government	1,239,663	1,326,578
Central Provincial Government	-	100,123
Makira/Ulawa Provincial Government	822,202	575,120
Ysabel Provincial Government	445,962	363,959
Femotu Provincial Government	36,862	34,528
Western Provincial Government	902,060	941,190
Soltai Fishing and Processing Limited	1,616,576	1,793,692
Honiara City Council	115,306	93,582
Livestock Development Authority	-	87
Solomon Islands Government	5,677,064	3,709,328
Solomon Islands College of Higher Education	1,835,224	1,228,190
	<u>38,194,618</u>	<u>27,862,050</u>

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

17. Related parties (continued)

(d) Transactions with key management personnel

Key management personnel comprises of the General Manager, Chief Engineer, Manager Finance, Legal Officer, Manager Generation and Manager Administration.

In addition to their salaries, the Authority also provides non-cash benefits to key management personnel.

Key management compensation to local executive management is disclosed in Note 8.

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

18. Commitments and contingencies

The Authority undertakes capital works and purchases assets according to an approved budget when management consider sufficient funds available. Capital commitments as at 31 December 2010 amounted to \$96,107,213 (2010:Nil). These commitments are in relation to property, plant and equipment.

The Authority has defended a number of unfair dismissal cases arising during the past ten years. Only four such cases remain. In all others the Authority has been successful. Legal work is undertaken by in-house legal officers. The directors do not expect the outcome of any action to have a material effect on the Authority's financial position.

19. Adjustment for prior period errors

In the current year, upon reconciliation of various balance sheet accounts, a net unreconciled difference of \$103,824,173 resulted. This difference has been adjusted against accumulated losses at 31 December 2009. Retrospective restatement is impracticable as appropriate records are no longer available.

20. Subsequent events

On 10 June 2011, the Finance Minister announced a five percent appreciation to the Solomon Dollar. The appreciation came into effect on 14 June 2011. No adjustment has been made in respect of this in the financial statements for the year ended 31 December 2010.