SIEA: 2025 Statement of Corporate Objectives

26th November 2024

This document is in compliance with the requirements of section 13 of the Solomon Islands State-Owned Enterprise Act 2007

Contents

1. INTRODUCTION

Solomon Power (SP) diligently aims to fulfil its vision of "energising the nation" by effectively carrying out its mission of providing "safe, reliable, affordable and accessible supply of electricity to the Solomon Islands". As one of the largest State Owned Enterprise (SOE) in the country, SP is undertaking its energy mandate with an earnest desire to build the nation both in terms of providing electricity access to more homes around the country through more renewable energy. Ultimately, SP is striving and will work hard to reach the target of 23% of Solomon Islanders and 80% of Honiara residents having access to electricity by 2025. Furthermore, SP will strive to reach the target of 100% renewable energy in Honiara by 2030.

2024 is SP's third year of its implementation of its Corporate Strategy Plan 2022 – 2027. The plan focused on five core Strategic Themes. These are, an effective Business Model, Financial Sustainability, engaged Stakeholders, robust Infrastructure and committed Environment and Social Safeguards. In September of 2024, Solomon Islands Government, hosted its Energy Summit. Most of the declarations made during the summit also falls into those five Strategic Themes.

During 2024, Reliability of power supply has improved drastically in comparison to 2023. These were as a result of the recovery plans implemented in 2023. Solomon has continued with its capital plans & operational plans for 2024. In 2024, there were changes in key staff which were the retirement of Chief Executive Officer and the resignation of the Chief Engineer.

2025 would be the fourth year under the 2022 – 2027 Corporate Strategy. SP will continue with its plans towards achieving the KPIs set under that Strategy Plan, taking into the consideration the following major events, changes & reviews that will occur in 2025 such as; Reduction of tariff of 25% by 2027 and the impact this reduction would likely have on Solomon Power's operations and capital plans, furthermore, changes in key staff such as a New Chief Executive Officer and potentially three new Board Members, as well as managing various stakeholder expectations.

Fig. 1 Henderson 2MW Solar Farm

2024 IN REVIEW

The Key drivers of 2024 budget were the following Key Result Areas

- KRA 1 - Assets and Energy; Maintain reliable power supply
- KRA 3 - Assets and Energy; Diversify assets into more renewable generation solutions
- KRA 2 - Employee relations and Welfare; workforce management and skills development
- KRA 10 - Customer Loyalty; increase customer base
- KRA 14 - Operational Excellence; reducing technical losses

2.1 Assets and Energy; Maintain reliable power supply

Total Customer Minutes Lost (CML) in the year to September 2024 was 30.5 million CML, roughly 92% less than the CML over the same period in 2023.

Fig. 2 CML by Outage Category

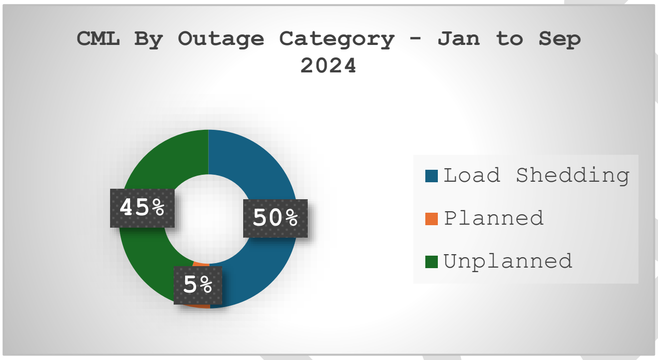
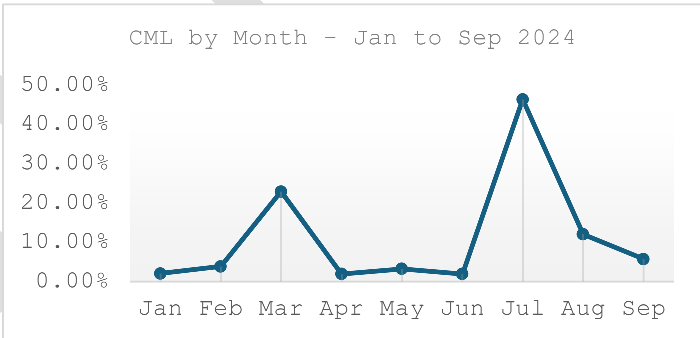


Fig. 3 CML by Month



50% of the CML recorded during this period was attributed to load shedding caused by a faulty transformer at Lungga Powerhouse. As shown in the CML by Month graph, July 2024 recorded the highest CML so far at 46.34%, during which much of the load shedding occurred.

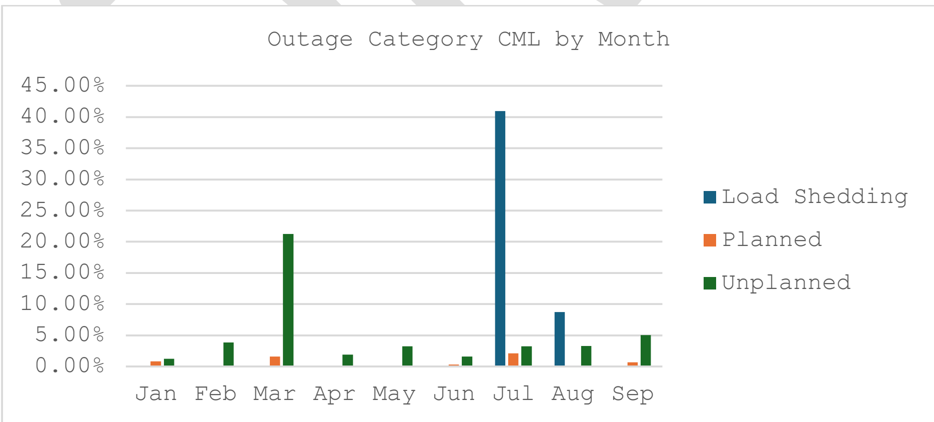


Fig. 4 Outage Category CML by Month

The graph above shows the CML by outage category for each month. The only two months affected by load shedding were July and August. Unplanned outages account for 45% of the total recorded CML during this period, equating to 13.6 million of CML.

Implementing key operational activities such a carry out major overhauls on our bigger machines on time, continue upgrading our distribution electrical assets, conduct ongoing monitoring and proactive maintenances network assets, are all on going activities to ensure power supply in Honiara remain operational and reliable.

2.1.1 Honiara Power Supply

The supply in Honiara City improved and became stable in early October 2023 after the delivery and installation of the 5 MW GRS Leased generators as well as addressing derating issues for bigger machines at the Lungga Power Station. This has increased the total generation capacity available from 10 MW to 25 MW, which positioned Solomon Power to meet the peak demand of 18.55 MW during the Pacific Games held in Honiara.

Since Jan 2024, total generation available dispatch was averaging around 22.79MW with a system peak demand of 18.33MW recorded in June 2024, signifying a growth of demand in Honiara network.

In July, a wider load shedding was experienced in Honiara for two weeks following a loss of 10 MW transmission capacity due to a failure on one of the power transformer - rated at 11/33KV, located at Lungga power station. A recovery plan was swiftly implemented and the parts sourced from overseas were dispatched, installed and the transformer was put back into normal operation, which ended the capacity shortage, and power situation in Honiara was normalised.

To ensure generation capacity to meet the continue demand of the Honiara Customers, Solomon Power has extended the leasing period of the 5 MW hired generators up to December 2024 for a smooth transition to install and commission the new 5 MW Genelites generators. This is expected to be operational by end of 2024.

Planned outages also took place all throughout the year. These relates to necessary works required such as vegetation management and asset relocation as part of the 11 kV feeder upgrade works for system flexibility includes; Feeder 1 and Feeder 3 Link (Lengakiki through Tinge to 7up), Fighter High and Low voltages(HV/LV), distribution transformers and Ring Main Unit(RMU) installations at various locations within the Honiara network. Also included road works upgrade by CCECC for West Honiara by from Town ground to White River, covering transformers, cables, Pillar boxes, joint bays and conduit laying for future 33 kV underground cable to improve system operations.

Fig 5: Repairing Power transformer at Lungga Power Station

2.1.2 Outstations Power Supply

The reliability of power supply across the Outstations portfolio continues to present significant challenge. Sites where generator availability fell below 50% included Buala, Lata, Malu'u, and Tulagi. A recovery plan was developed and implemented, with immediate actions taken to fix the issues at sites concerned which has resulted in 75% of the sites restored to normal operations.

Major achievements for the Outstation were the successful commissioning of AK2 Kohler engine in Auki, the restoration of the hydro plant at Buala in August reinstating a significant renewable power source for the township, and fixing issues on Noro N2 machine which was restored to normal operation. These activities have enabled improved and ensured system stability in the Outstations.

As part of our maintenance strategy, 90% of the major overhaul plans for this year have been completed. Only the overhaul for Kirakira K3 engine is still pending and expected completion date is November 2024.

We will continue to conduct ongoing monitoring and proactive measures to address remaining challenges and ensure sustainable power provision throughout the Outstations portfolio.

2.2 Assets and Energy; Diversify assets into more renewable generation solutions.

Solomon Power's medium term goal is to transition to more renewable energy solutions. It has accordingly embarked on a variety of renewable energy projects around the country. This is part of a strategy to reduce costs by displacing diesel in thermal generation, reduce greenhouse gas emissions and contribute to reducing non-technical losses. Furthermore, greater emphasis is Renewable Energy Roadmap with plans for 100% Renewable Energy in Honiara by 2030.

Unfortunately, the impact of the Covid pandemic particularly on travel restrictions, force majeure changes in law conditions, and supply chain disruptions have led to unfortunate delays in the projects.

One key project is the ADB-funded Solar Hybrid project at Kirakira, Tulagi, Malu'u, Munda and Lata. This is to convert the five existing Diesel system based outstations into hybrid generation systems. It was delayed when the Contractor left the country, nonetheless, SP progressed this project. The Contractor has completed the installation of the solar panels, inverters, battery storage systems and associated switchgear at Malu'u, Munda, Kirakira and Tulagi. The installation of the associated battery storage system in Noro has been completed. We have partially commissioned the Hybrid at Munda in 2022 and at Malu'u in first half of 2023. Tulagi hybrid achieved full commissioned in the second half of 2023, and in operation for only two week and thereafter the Battery Energy Storage System (BESS) develop unknown fault. Tesla Team (BESS Supplier) came to Kirakira and Tulagi October 2024 and found faults on the BESS. Tesla technician recommends transporting all packs and inverter cabinet at all four (4) sites to Honiara. They are planning for BESS remanufacturing, testing & commissioning to be done in Honiara before returning the batteries to their original locations for final installation. The Lata site is expected to achieve full commissioning in 2025.

Another Solar Hybrid project delayed by Covid-19 is the New Zealand MFAT and SP funded hybrid power station for Hauhui (Malaita Province), Namugha (Makira Province), Sasamunga (Choiseul Province) and Vonunu (Western Province). The New Zealand Government is providing grant funds of NZ$7.15million for these four hybrid locations and for increasing access to electricity to potential customers. These has now progressed in procurement of final major plants, with preparatory earth works completed for Sasamunga. These hybrids will commissioned in 2025 for Sasamunga and Vonunu, Hauhui and Namuga in 2026.

The Solomon Islands Electricity Access and Renewable Energy Expansion Project (SIEAREEP) with funding totalling USD19.95m (Grant USD14.40m and Loan USD5.55m) from various donors for mini-hybrid plants, grid connect solar, improving access to electricity and technical assistance was approved by the World Bank in 2018. Under this project we will increase the renewable energy capacity at existing Henderson Fighter 1 by an additional 2.0 MW, install 220kW solar plant on the roof of our Head Office Building and commission 5 hybrid stations in the Provinces. In relation to this project, the following are the updates:

- The contract for the 2.0 MW solar farm at Henderson was signed in 2021 and detailed designed was completed by end of September 2023. Procurement of major plants and equipment completed in April 2024. Installation started in July with expected testing and commissioning in December 2024.
- The 220kW solar plant; the detailed design was completed at end of September 2023, procurement of major plants completed in August and anticipating to complete installation, testing and commissioning in December 2024.

- The hybrids mini grid at Baolo, Bina, Dala, Tingoa and Visale; Contract was awarded March 2023, detail and procurement of major plants was current for all five (5) sites with expected commissioning in April 2026.

2.2.1 Tina River Hydropower Project

TRHDP is a national flagship project in which SP, along with other key stakeholders, plays a crucial role. SP is a counter party to the Power Purchase Agreement and an Offtaker, serves as the implementing agency for component 3 of TRHDP, and is involved in the other components in terms of detailed design reviews for Component 2 (Access Roads) and Component 1 (Hydropower Facility). SP also plays a significant role under Component 4 (Technical Assistance) more precisely on rural electrification under the Community Benefit Sharing Project (CBSP) that further extends a post program that will run through 2024 – 2025. The proposed 15MW hydropower plant will be developed under a BOOT (Build, Own, Operate, and Transfer) model and is anticipated to be commissioned in February 2028.

SIEA granted THL an extension of time under the PPA's conditions, moving the Project Commercial Operational Date (PCOD) from September 2024 to February 2028. This extension aligns with SIG's consent to SIEA under the PPA Side Letter.

In addition to the extended timeline, there are also increases in the overall project cost, which are likely to impact the Levelised Cost of Energy generated by the 15MW hydropower plant. The cost claim settlement currently being discussed THL is categorized in two categories; prolongation, and inflation due to escalation on commodities that's inclusive of structural steel, reinforcement steel, cement and both international and national labor. Resolution to settle on additional costs constitute of the following;

Hydropower Component	Consolidated Claim (USD)	PPA Settlement Agreement (USD)
Prolongation payment	27,310,000	8,000,000
Escalation reserve	82,043,000	37,340,000[1]

Resolution on the above figures were substantiated with the intense assessment and lengthy process that SIEA took inclusive of its legal and technical advisors since 2020. SIEA understands additional costs for THL's operations, variation for Lot 1 access road and operational cost for Project Office will likely to spike up the overall additional costs. The total additional financing (inclusive of THL's operational costs) on an assumption of 75% Loan and 25% grant will significantly impose an increase from current USD17.78cents to USD20.82cents on the Levelized Cost of Energy, an increase of approximately USD3.04cents. It is crucial that any additional financing commitment should preferably come in the form of more percentage on grants rather than loans, in order to have a lesser impact on the revised LCOE from the current USD 17.78 cents. In the next few months, SIEA will continuously support SIG and its relevant stakeholders. During the first half of the year, project stakeholders, including Concessional Financing Parties (CFPs), worked on waiving the conditions precedent for the financing drawdown, which was pending the settlement of the PPA between SIEA and THL. Additionally, all stakeholders, including SIG and SIEA, made further efforts to discuss additional financing for the project.

The extension of time for the hydropower component and the drawdown of financing for works will enable SIEA to advance its Transmission Lines component. In the first half of the year, SIEA, in collaboration with

[1] Additional to the current reserve of $9,660,000

its financier, the Australia Infrastructure Financing Facility for the Pacific (AIFFP), has been addressing a critical issue: the influx of informal settlements within SIEA's easement at Lungga, where up to twelve pole structures for the Transmission Lines will be located. Lungga easement encroachment has increased significantly. In the first half of the year SIEA, AIFFP and project stakeholders both internal and external also brings about efforts from SIEA, AIFFP and project stakeholders both internal and external to navigate on difference options especially for SIEA. Currently, SIEA and relevant stakeholders, including AIFFP, are focusing on three options: redesign, relocation/compensation, and legal proceedings. The team is conducting a detailed risk analysis from a cost-benefit perspective to finalize a decision and determine the most appropriate approach to address this informal settlement, with the goal of resolving it in the second half of the year.

In line with SIEA's environmental and social obligations under Component 3 of TRHDP, the project documentation, including the Environment and Social Management Plan (ESMP) and the Abbreviated Resettlement Action Plan (ARAP), are in the final stages of revision following reviews by SIEA, AIFFP, and CFPs. Since 2023, SIEA and AIFFP have also developed and finalized all Construction Environment and Social Management Plans (CESMPs) through the first half of the year. This comprehensive CESMP suite is prepared for the successful contractor who will be responsible for constructing the transmission lines. Currently, these documents include a placeholder, which is heavily dependent on resolving the encroachment at the SIEA Lungga easement.

2.2.2 Independent Power Producers – Solar Energy

2.2.2.1 Pacific Clean Energy Partners

Solomon Power entered into a Memorandum of Understanding (MOU) with Pacific Clean Energy Partners. Under this MOU, PCEP has reviewed some SP Customer's Usages to determine potential customers to be included in an energy service company (ESCO) program to accelerate renewable energy, energy efficiency and energy storage installations in Solomon Islands. The review has been completed and it was determined that this option was not viable.

Therefore, PCEP has made another proposal for an option to undertake a 2MW ground mounted Solar PV System together with 2.9MW solar rooftop of potential Solomon Power customers. SP & PCEP have worked on a term sheet that will go into Power Purchasing Agreement. PCEP are currently looking into their financing arrangements to enable a reduction in tariff, furthermore PCEP is yet to purchase land in Honiara.

2.2.2.2 Solomon Islands Broadcasting Corporation

Solomon Power and Solomon Islands Broadcasting Corporation (SIBC) have signed a non-binding Memorandum of Understanding. This has enabled SIBC to carry out work towards becoming an Independent Power Producer (IPP). SIBC intends to build, own & operate a 5MW solar plant on its land at Fighter 1, Henderson (next to SP's existing 1 MW Solar farm) and sell the energy to SP under a Power Purchasing Agreement.

2.2.2.3 Solomon Investment Pte Ltd

Solomon Power and Solomon Islands Investment Pte Ltd (SIPL), have signed a non-binding Memorandum of Understanding. This will enable SIPL to carry out work towards becoming an Independent Power Producer (IPP). SIPL intends to build, own & operate and transfer (BOOT), various solar plants across the country and to the sell the energy to SP under a Power Purchasing Agreement.

2.3 Employee Relations and Welfare; Workforce management and skills development

Solomon Power has a growing, motivated and committed workforce. Permanent staff are 324 as of August 2024. The recruitments done were mainly replacements of existing roles and also some new vacant roles that are critical. To ensure employment costs are managed, some restrictions were established in recruiting. Around 22% of the workforce and executives are female.

As a large and modern SOE, an effective workforce management system is utilized to bring the best out of the staff and to implement SP's core mandates. Workforce initiatives include an effective recruitment, induction and exit program that guides new recruits to settle into their respective positions, while at the same time, attend induction sessions that enables them to have a basic understanding of other areas of the business. On the conclusion of employment, staff are also taken through an exit process.

During the year and up to October 2024, 36 permanent staff[2] were recruited and 5 employees exited the organization. This is a 1.5% attrition rate which is lower than the annual turn-over target of 2%. The Board approved the renewal of the contracts of Deputy Chief Executive Officer/General Manager Customer Services, Chief Financial Officer, Legal Counsel and General Manager Corporate Services. The Chief Executive Officer (CEO) left Solomon Power at the expiry of his contract in August 2024. The Deputy Chief Executive Officer/General Manager Customer Services is currently acting in the role of CEO. The recruitment process for the Chief Executive Officer is currently ongoing. The Chief Engineer resigned to take up a Scholarship for further studies. The Deputy Chief Engineer is currently acting in the role. The recruitment process for the Chief Engineer is currently ongoing, to which Solomon Power is in the next step of supporting the acting Chief Engineer.

SP's performance management systems links departmental KRAs and KPIs into each officer's KPI for the year. This ensures staff are accountable for organizational, divisional and individual goals, and are also rewarded with appropriate bonuses where the goals are achieved. Moreover, as part of continuous review and improvement of policies, the SP board approved new and revised Sponsorship, Increment and Medical Assistance Policies.

The Authority's training and development programs are aimed at developing technically competent staff, while at the same time ensure staff have a well-rounded understanding of the business and its other obligations.

There were no intakes for the three internally managed training programs of Graduate Trainee, Line mechanics and Apprenticeship in 2024. However, SP continued with the Student Attachment Programs. A total of eight (8) students have been on 6 months' attachment.

The company also organized short courses either internally or through the support of stakeholder organizations for its staff. This include among others, Grid Connected PV systems design and install, Photovoltaic Energy Systems and Company Directors Course.

As a dynamic organization, SP provides investment in its staff with long term training opportunities (full-time & part-time). Two officers continued with their long term studies in 2024 doing Bachelor's Degree Courses at SINU and USP. One officer continued with their long-term-part- time studies at SINU undertaking a certificate course. Five senior officers continued with their Masters of Business

[2] *Majority of them are replacements of existing roles that became vacant*

Administration (MBA) studies in 2024. One at SINU and the other four at USP. Three officers continued with their part-time-online studies towards CPA.

2.4 Customer Loyalty; Increase customer base

Solomon Power is striving and will work hard to reach the target of 23% of Solomon Islanders and 80% of Honiara residents having access to electricity by 2025. To assist with this, in 2024 SP continued with its network extension plans. Supported with the EAP program, (which will enable customers in newly extended sites in the Auki, Noro, Munda and Gizo to connect to the grid) more customers will be connected to the grid.

Total number of active and billable customers for all locations for both kW and Cash power by 30th September was 27,758; with a total of 2,168 (7.7%) on kW and 25,590 (92.2%) on Cash Power. This is an increase in customer count by 3.39% compared to December 2023. A total of 1,252 customers were energised by September this year.

Growth in customers were across both in Honiara and in the provinces, particularly through the normal new connection. With the Electricity Access Program roll out, we received and processed 500 applications for Auki, Gizo, Munda and Noro. Registration of meters will be done as soon as they are energized.

New connection application waiting time is reported on monthly basis. This has enabled Solomon Power to keep track of customer applications and ensured that they are addressed in a timely manner. As at end of the September more than 100 applications for 2023 are pending connection. And more than 1000 applications are pending connection for 2024.

In 2024, the cashpower software suprima requires its meters (hardware) to be upgraded by 24th November 2024.

2.4.1 Network Extensions

Below is a summary of all the network extensions under SIEA's capital works program to increase electricity accessibility in Honiara and the provinces.

- To date, SIEA has planned a total of sixty-six (66) network extensions and has executed fifty-four (54) of them.
- An additional five (5) network extensions, approved by the Board in 2023 and 2024, have not yet started but will carry over into the 2024-2025 financial years. Two of these network extensions are part of the CBSP phase 2, a grant-funded project by World Bank under component 4 of TRHDP.
- Seven (7) other extensions have not started and have been rescheduled to align with the 11kV network upgrades.

During the year, SIEA also made progress on additional assessments for several sites. During this period, concepts and plans were developed and modeled, and the team conducted consultations on network development plans. Additionally, updates to the Geospatial Information System (GIS) for SIEA's network infrastructure were made, covering both Honiara and key customer base locations within the provincial headquarters and outstations.

2.4.2 Energy Access Project

After the World Bank-funded Result Based Aid (RBA) Program, also known as the Output Based Aid (OBA) Program, was exhausted, SIEA launched a pilot Electrification Access Program (EAP) to increase household electrification. This pilot program aims to connect 500 households, with a focus on Auki in Malaita Province, and Noro-Munda and Gizo in Western Province. While similar to the previous program, this initiative will be fully financed by SIEA.

In the first half of the year, the procurement of goods was completed, and the procurement of works began, with plans to award contracts and start construction in the second half of the year. As a pilot project, the successful completion of this program under the current financing model will help SIEA evaluate its capability for further annual rollouts, identify areas for improvement, and explore additional financing support for the program.

2.5 Operational Excellence; reducing technical losses

The total losses (both Technical & Non-Technical Losses) YTD as at 31st October 2024 is 15%. A study done by SKM in 2012 estimated the Technical losses to be 11%. Therefore, Non-Technical Losses as at 31st October is 4%. This is a marked improvement compared to 8% as at end of December 2023.

Efforts to reduce Technical losses included continued assessment of load and condition of Distribution & Power Transformers to ensure they are appropriately loaded and in good operating condition. The team progressed replacement/upgrade of Ring Main Units across the networks replacing aged/obsolete ring main units. Upgrading of low voltage conductors have also progressed. These actions will ensure our technical loss remains minimal.

With regards to non-technical losses, all meters are tested prior to installations in customers' properties. In 2024, meter inspection programs include, more than 3000 meters (both postpaid & prepaid) inspections for illegal bypass & fault and meter checks for cashpower meters not upgraded under the suprima upgrade. For illegal bypasses/faulty meter customers, an average bill is computed and customers are placed on a payment arrangement plan. Meter reading processes are also being strengthened, as well as process for reporting of kWh sales by feeder and transformer. This will then be mapped to production feeders through feeder and transformers to enable Solomon Power to identify where most of the loss is. This is for Honiara Customers. In addition to tasks being carried out, Solomon Power through its Legal Division is conducting its review & investigations. Please refer to Section 2.6.3.4.

2.6 Other Highlights

2.6.1 New Office Complexes

SP strives to promote nation building, provincial development and providing a better experience for all of its customers and its Staff. The Lata Office was finally officially opened in August 2024.

SP has also completed the civil works on the land in Auki for its Auki Office. Construction shall start in 2025.

Figure 6: New Office Lata

2.6.2 Information, Communications and Technology

Solomon Power relies on Information and Communications Technology (ICT) to support its day-to-day activities, digital transformation and business continuity preparedness.

ICT Division continued to support and improve the full suite of business applications, the communication networks to a total of 28 physical network sites. This includes SP Offices, Power Houses and Solar Farm sites in Honiara, as well as to the 11 Outstations in the Provinces. The Division manages all the ICT equipment, 160 Terabytes of storage space for corporate information and 24 Production and 21 Disaster Recovery servers across three (2 on-shore and 1 off-shore) Data Centre environments for the organisation.

The ICT Division has for the remainder of 2024, achieved these key projects and activities:

- Attended to 107 support tickets on average, each month.
- Continue to review our communications facilities at all SP sites and looking at plans to progress the intended exit under the current MOU arrangements with SIG and Satsol. Starlink Internet services are now operating in-country following the approval from TCSI (Telecommunication Commission SI), in September. ICT has since procured and started to install the units at identified SP Solar Farms, Powerhouses and Offices. This is to ensure wider reliable and cost effective communication solutions for SP.
- Provide on-going support to Capital Works Division in the delivery of the New Data Centre, Call Centre and Control Room (SCADA) Projects, at Lungga.
- Completed input to the delivery Phase 1 of the SP Asset Enhancement Project.
- Wrapping up the final stages of the Fibre Optic Commercialisation Consultancy Project, as part of SP's initiative to look at alternative revenue streams with the Special Projects and Planning Division.
- Closing out the commenced Suprima Cash Power System TID Upgrade Project for Agents, prior to the due date in 24 November 2024. Out of all 7 Agents, only 1 has

- not completed their testing, however SP Customer Services Division has effected the changes for the customer's meter instead, so this is adequate.
- Continued to facilitate the SP Monthly Tariff Updates in the system, each month.
- Progressing of plans for digital projects such as CDPro for online payment of power bills, SP Website Upgrade and Online Customer Connection Application Form, SharePoint Advocacy and Training and the SP Electronic Records Archive Project. We have also commenced analysis into a Board Meeting Application proposal.
- Successfully de-commissioned the last of our Windows Servers that was EOL (End of Life) hosting 2012 R2 OS to the new Windows Server 2019. This will allow us now to continue our implementation on the Staff Leave Management Application System.
- Concluded the Compromise Assessment exercise with the anti-virus service provider Sophos and signed up for the annual Managed Detection Response (MDR) Service. This will have Sophos to work with ICT to provide active 24/7 Security Operations Centre (SOC) services.
- Continue to implement the 2024 Cybersecurity Awareness Plan with targeted activities each month. The highlight will be the Global Cyber-Awareness Month in October.
- Contributing to the External Audit Requirements for 2024.
- Commenced SP ICT Cost-saving Activities and made some worthy initial savings to SP's telecommunication costs. We continue to identify other target areas.
- Continue to ensure that the 7 ICT staff are progressing their planned trainings as well as participating in succession planning activities.

2.6.3 Legal Division

A key result area for the Legal Division is business continuity and risk, with the specific objective being to minimize the adverse impact from risks inherent in the business of Solomon Power through effective legal, compliance, and contracts management. To achieve this, the key objectives and activities to be undertaken to achieve these objectives in 2025 are:

2.6.3.1 Strengthening Expertise

Legal Division aims to equip its personnel with specialized expertise to navigate intricate contractual and regulatory landscapes. As Solomon Power engages in complex multi-party ventures such as private-public partnerships, power purchase agreements, and EPC contracts, Legal Division's legal personnel will enhance their proficiency in contract management, negotiation, and dispute resolution through specialized training programs.

In 2024, legal personnel attended the ACICA & CIArb International Arbitration Conference in Australia. This provided an opportunity to learn about emerging issues, such as contractual risks and dispute resolution mechanisms in the renewable energy sector, and to build networks with other legal practitioners who may be able to provide expert legal assistance should the need arise in the future.

In 2025, training will focus on learning from the experiences of other electricity utilities in the Pacific. The geographic, legal, and economic environment of Solomon Islands mean that the risks involved in entering in commercial arrangements, whether through power purchase agreements or EPC contracts, are unique and challenging and often risk-mitigation measures that are typical in such contractual arrangements that may be well-suited for countries with more developed markets may be less applicable to Solomon Islands. Recognizing these challenges and the need to ensure that training that is undertaken in the area of mitigating contractual and procurement risk is relevant and applicable to the context of Solomon Islands, training to strengthen expertise is focused on learning from the experiences of other Pacific Island countries who have gone through similar challenges or challenges that are likely to arise in Solomon Islands.

2.6.3.2 Effective Dispute Resolution

Legal Division aims to attain favorable outcomes in legal disputes. Historically, legal disputes have typically arisen from contractual disputes with EPC contractors and PPA counterparties, from disputes with land owners, occupants, or other affected persons relating to Solomon Power's operations and installations on public or privately-owned land, and in relation to debt recovery action by Solomon Power.

In 2024, legal proceedings were commenced in the High Court seeking orders to remove occupants on land which Solomon Power has a registered interest (easement) over. The successful resolution of this matter in 2025 will be key to ensuring that there is no hindrance to the timely construction of the Tina Hydro transmission line on this land.

In 2024, debt recovery action was also commenced through the issuing of demand notices to customers for the payment of arrears and this is expected to continue in 2025.

2.6.3.3. Proactive Risk Management

Legal Division will adopt a proactive and collaborative approach by engaging closely with other key internal and external stakeholders to identify and mitigate risks in contracts and projects, particularly those reliant on overseas contractors and suppliers susceptible to global supply chain issues. This concerted effort aims to prevent project delays, reduce costs, and minimize disputes.

The delivery of various renewable energy capital projects for which works are required to be performed by overseas-based EPC contractors or service providers have experienced delays. This has been exacerbated by global supply chain issues. Solomon Power's ability to prevent or mitigate the impact of such delays are limited to the terms of the EPC contract or service agreement which may range from liquidated damages to termination. In the context of Solomon Islands with limited market access to contractors and service providers, the enforcement of contractual rights can have the unintended consequence of further delaying the delivery of the projects and increasing costs. In recognition of such risks, the approach that has been adopted is to ensure that any potential issues that may impact project delivery are identified and addressed early through a collaborative and flexible approach. With new capital projects anticipated to commence in 2025 that will also require the procurement of overseas-based contractors and service providers, the learnings from these challenges in dealing with and being reliant on overseas contractors and service providers have resulted in the project delivery method including the procurement model and equipment being reviewed to ensure the challenges currently experienced are not repeated in future projects.

2.6.3.4. Reducing Non-Technical Losses

Legal Division will collaboratively engage with key internal and external stakeholders, explore the adoption of technological solutions, and leverage industry best practices to actively monitor and enhance systems related to the prevention and detection of non-technical losses caused by illegal or unauthorized use of electricity by consumers. This comprehensive approach aims to minimize revenue leakage effectively.

A special investigation commencing in 2024 is currently in progress to ascertain how and where electricity theft is occurring, identify what gaps exist that enables electricity theft to occur and not be detected, and what measures ought to be taken to improve the detection and prevention of electricity theft, and strengthen the prosecution of offenders and the recovery of arrears resulting from unmetered consumption. The investigation involves both on-site attendances during inspections by meter inspectors, and a desktop review of Solomon Power's policies and procedures. The investigation will continue in 2025.

2.6.3.5. Strengthening Staff Compliance

Legal Division will collaborate with internal stakeholders to review and strengthen policies related to staff conduct, including disciplinary rules and procedures, whistleblowing, and conflict of interest policies.

Solomon Power has in place formal rules and procedures for dealing with staff conduct and discipline. In 2024, a number of internal investigations have been carried out following the receipt of internal reports or public complaints regarding the conduct of staff and following the conclusion of investigations, disciplinary action has been taken where appropriate.

In 2025, where reports are received, internal investigations will continue to be carried out and appropriate disciplinary action taken. In addition, awareness sessions on whistleblowing and conflict of interests will be conducted to build a strong culture of integrity.

2.6.4

Stakeholder Engagement - Community Support

As a valued and committed stakeholder in Solomon Islands society, Solomon Power continued to be actively engaged in community activities and events.

In 2024, as part of its Corporate Social Responsibilities (CSR) Solomon Power among others supported the community with the following:

- Support the Basketball Association of Solomon Islands with a sponsorship of $50k to run its 2024 league especially for Women's basketball.
- Support the SDA mission meeting the electricity bill of its prayer program in Honiara worth $137k. Furthermore, Solomon Power is in progress with installation for street lights for the Burnscreek – Betikama Road.
- Supported SIFF with hosting of 2024 Iumi Plei Under 14, Championship
- Supported Ministry of Mines, Energy & Rural Electrification with the Hosting of the National Energy Summit. This was held in September 2024
- Supported the Institute of Solomon Islands Accountants with $20k towards its first National Congress
- As part of Pinktober celebration, gave a donation of $17k plus to the NRH Cancer Department. These money was raised by the staff
- Donated Wheel Chairs to Kilufi'i Hospital & Lata Hospital
- Carried out various awareness programs (including Safety) across the Country as part of new network extension, to schools, Tina River Communities and Second Appointed Provincial Days etc.
- Hosted its Line Mechanic Day with invitation to some High School & Rural Training Centre students in Honiara

2.6.5 Financial Situation

SP has continued to maintain strong financial results with unqualified audits of its Financial Statements for the last twelve (12) financial years from 2012 to 2023.

Sales (kWh) in the first nine months of 2024 went up, compared to the same period in 2023 by 14.5% and 14.8% compared to 2022. This was mainly due to increase in sales volumes over the last two years due to the Pacific Games in 2023 and increase in customer's connections.

Overall tariff charges per unit in 2024 decreased due to slight downward movement in the fuel prices as a result of favourable global fuel price and increase in kWh units sold. Net Profit After Tax to circa $49million compared to the budgeted NPAT of $0.08million for 2024.

SP's budgeting process for FY2025 took into account a forecasted growth in sales of 1.5%, budgeted return on investment of 0% and Net Loss of $8.23 million. Profit is expected to significantly drop compared to 2024. The budgeted profit resulted in a loss because revenue will fall by $79m compared to 2024 forecasted revenue. With the Government plan to reduce tariff charges by 25% for the next 3 years, 8.3% for the first year was considered in the tariff calculation. This will result in an average of $0.67 drop per kWh unit in the calculated tariff charges per month. On the demand side, there is anticipated growth in customer demand and connections, extending of networks in Honiara and at the Outstations, and reduction of electricity losses.

SP has already embarked on a plan to invest $1.2 billion capital funds over the period 2025-2030. With a balance of $228.4m in 2023, cash is expected to slightly increase by 0.51% to $229.5m in 2024. During the year, Solomon Power sold one of its Government bonds for $37.1m in the local secondary market. 2025 estimates will see a drop in the cash balance. The decrease is a result of continuous reinvestment in delivering key projects that includes transition into renewable energy sources, network extensions and major upgrade to the aging infrastructure at Lungga Power House.

2.6.6 Business Development

The formation of the Business Development Unit has a primary focus on expanding market opportunities for Solomon Power. It is also dedicated to exploring new technologies and smart grid solutions to enhance efficiency. Additionally, the unit prioritizes capacity building through staff training and optimizing financial strategies to ensure long-term profitability and stability.

In the first half of the year, SIEA concluded its Expression of Interest process which aimed to commercialize SIEA's existing fiber assets. Although this initiative will not move forward, SIEA continues to explore future fiber optic projects for its network. An ongoing feasibility study is assessing market potential, financial viability, and strategic benefits. This study is crucial for determining the best way to leverage the organization's fiber assets in the long term.

SIEA has also explored the Electrical Goods Subsidiary initiative. All necessary implementation documents have been completed in draft form, including high-level operational plans, financial models, and risk assessments. These documents will serve as the basis for further detailed planning.

While some initiatives under the business development strategy are achievable in the medium to long term, others require broader consultations and, importantly, an enabling environment through governing laws, policies, and regulations.

3. SP'S OBJECTIVES[3]

SP's principal objective as set out under Section 4 of the SOE Act is:

"*to operate as a successful business and, to this end, to be:*

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

To achieve these objectives SP has developed, and annually reviews, its Vision, Mission, Values, Strategic Objectives and Key Result Areas. This is articulated in SP's Statement of Corporate Objectives and is summarised as follows.

3.1 SP's Vision

Energising Our Nation

3.2 SP's Mission

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

3.3 SP's Values

1. Respect for our Customers and our People
2. Improvement through Change & Innovation
3. Meeting our Service Quality Commitments
4. Care for the Environment
5. Individual Responsibility for our Actions
6. Honesty and Trust
7. Teamwork

[3] State Owned Enterprises Act, Section 13 (2) (a)

3.4 SP's Strategic Themes and Initiatives

Strategic Themes	Initiatives
An Effective Business Model	Our customers will trust and value our services because we listen to them
	We will invest in our committed and valued employees
Financial Sustainability	We will grow our business to a stronger and financially sustainable business
Robust and expanded Infrastructure	We will diversify our large and reliable asset base into renewable energy solutions
	We will use scale and national presence to add value to the nation
	We will use sound risk management principles to manage the challenges
Engaged Stakeholders	Our Operational Excellent Business Model will support strong performance, delivery and returns to our stakeholders
Committed to Environmental and Social safeguards	We will be a socially and environmentally responsible organisation

3.5 Strategic Plan and Key Result Areas

Budgetary emphasis should be placed on the strategic plan and on the Key Result Areas (KRAs). There are a number of things in this strategic plan and Key Results Areas that need detailed project plans to be developed that may change the cost allocations within the overall budget. Most have been accounted for within the capital or operational budgets. Key drivers of this budget are the following KRAs.

- KRA 1 - Assets and Energy; Maintain reliable power supply
- KRA 3 - Assets and Energy; Diversify assets into more renewable generation solutions
- KRA 2 - Employee Relations and Welfare; workforce management and skills development
- KRA 10 - Customer Loyalty; Increase customer base[4]
- KRA 14 - Operational Excellence; reducing technical losses
- KRA 8 - Financial Sustainability; Effectively manage financial resources[5]

[4] This includes increasing footprint as per Targets in Draft Communique from Energy Summit in September 2024

[5] This includes reduction in tariff by 25% in the next three years according to Government of National Unity & Transformation (GNUT) Policy on tariff Reduction according to the Draft Communique from Energy Summit in September 2024

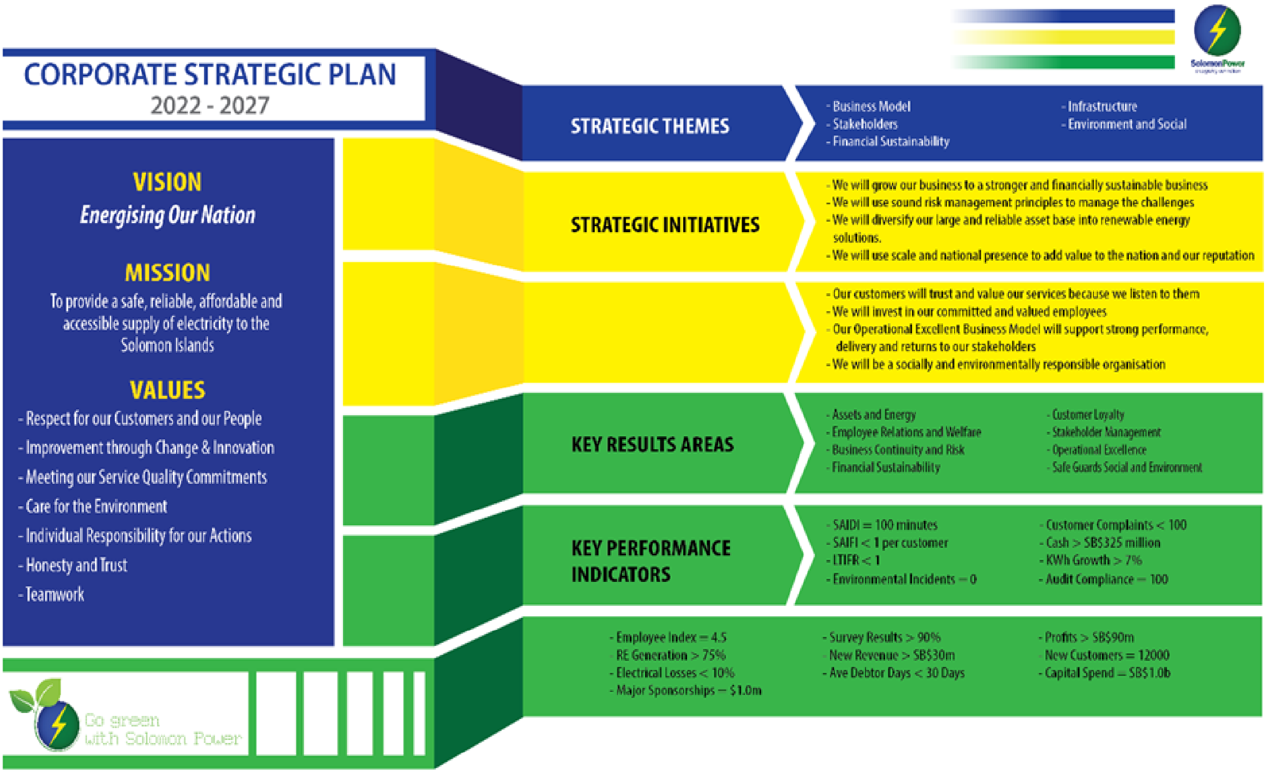


Figure 7- The Strategic Plan aka "Plan on a Page"

To move towards these objectives, SP has developed the following Key Result Areas for 2025.

Key Result Area	Strategic Initiatives	Annual Objectives	Accountable Executive
1. Assets and Energy; Maintain reliable power supply	Our customers will trust and value our services because we listen to them	Ensure smooth operation and reliability of generation and transmission systems.	CE
2. Assets and Energy; effectively develop plans and implement special projects	We will diversify our large and reliable asset base into renewable energy solutions	Effectively develop plans and implement special projects	GM SPP
3. Assets and Energy; Diversify assets into more renewable generation solutions	We will diversify our large and reliable asset base into renewable energy solutions	Implement renewable energy projects	GM CW

4. Assets and Energy; extend distribution network	We will use scale and national presence to add value to the nation	Extend distribution and transmission network.	GM CW & CE
5. Assets and Energy; modernize and implement regulatory functions	We will use scale and national presence to add value to the nation	Modernize and effectively carry out regulatory functions	CE
6. Assets and Energy; develop cost-effective land, building & other operational assets	We will use scale and national presence to add value to the nation	Efficiently manage and develop corporate assets (land, building, fleet) to support operations	GM Corp Svc
7. Employee Relations and Welfare; workforce management and skills development	We will invest in our committed and valued employees	Effectively manage employee performance, skills development and welfare	GM Corp Svc
8. Financial Sustainability; Effectively manage financial resources	We will grow our business to a stronger and financially sustainable business	Effectively manage financial resources	CFO
9. Financial Sustainability; new income streams	We will grow our business to a stronger and financially sustainable business	Study and appropriately implement potential new business opportunities	GM SPP & CICTO
10. Customer Loyalty; Increase customer base	Our customers will trust and value our services because we listen to them	Increase total customers and sales volumes through effective customer management	GM Cust Svc & CE
11. Customer Loyalty; reduce waiting times for customer connections	Our customers will trust and value our services because we listen to them	Efficiently and prudently reduce backlog of customer connections.	GM Cust Svc & CE

12. Customer Loyalty; develop capital recovery options for customers	Our customers will trust and value our services because we listen to them	Develop capital recovery options for customers in sparsely connected areas	GM Cust Svc
13. Stakeholder Management; sponsorships & messaging	Our Operational Excellent Business Model will support strong performance, delivery and returns to our stakeholders	Support community activities, maximize its messaging and promote SP.	CEO, GM Cust Svc & GM Corp Svc
14. Operational Excellence; reducing technical losses	Our Operational Excellent Business Model will support strong performance, delivery and returns to our stakeholders	Reduce technical and non-technical losses	CE & GM Cust Svc
15. Operational Excellence; effective ICT Systems	Our Operational Excellent Business Model will support strong performance, delivery and returns to our stakeholders	Ensure ICT systems are effectively used to support operations	CICTO
16. Social and Environmental Safeguards	We will be a socially and environmentally responsible organisation	Ensure compliance with social and environmental safeguards	GM Corp Svc & GM CW
17. Business Continuity & Risk; Robust risk based auditing	We will use sound risk management principles to manage the challenges	Effectively utilize risk based auditing	MIA
18. Business Continuity & Risk; Effective legal, compliance and contracts management	We will use sound risk management principles to manage the challenges	Ensure compliance and minimize risks associated with legal and contractual matters.	LC
19. Business Continuity & Risk; ICT BCP	We will use sound risk management principles to manage the challenges	Ensure ICT solutions are used to support BCP	CICTO

CE – Chief Engineer	CFO - Chief Financial Officer	GMCW –General Manager Capital Works
LC - Legal Counsel	GM SPP - General Manager Special Projects & Planning	GM Cust Svc - General Manager Customer Service
MIA – Manager Internal Audit	CICTO – Chief Information, Communication & Technology Officer	GM Corp Svc - General Manager Corporate Service

4. PLANS TO ADDRESS SP's STRATEGIES

4.1 Capital Expenditure Programme – 2025 to 2027

SP's priority for the three-year period (2025 – 2027) is to diversity its large and reliable asset base into more renewable energy. This shall be done through the following projects areas:

- Tina Hydro 66kV transmission lines and associated systems upgrades that will be ready before the Tina Hydro Power Plant is commissioned.
- Solar Hybrid Projects
  - Complete and commission the ADB, MFAT, WB funded hybrids, and progress design, procurement and construction of new Hybrid stations in the provinces.
- Grid connected solar projects to enhance Honiara's renewable generation mix.
- SCADA Master Station, fibre and protection upgrade
- New generator as backup for renewable generation systems in Honiara
- Network extensions in Honiara and the outstations
- Substation upgrades
- Corporate projects including offices and residences
  - Warehouses, Auki Office and other operational buildings

A full list of Capital Expenditure Projects is shown in **Appendix C**.

4.2 Funding the Capital Expenditure Programs

The CAPEX Program of $1.22B (2025-2030) has been balanced with the available sources of funding and the Board's parameters on minimum Working Capital. There is funding through the SIEAREEP project with World Bank, ADB funding for Solar Hybrids at five existing outstations, funding from MFAT, NZ Government for Solar Hybrids and funding from AIFFP for Tina River project. The funds from World Bank, ADB and MFAT, NZ, AIFFP and surplus cash generated from operational functions, defines the CAPEX envelope for SP.

The proposed mix of funding is as follows:

Statement of Cash Flows

2023 Actual, 2024 Forecast, 2025 Budget, 2026 - 2030 Forecast

	AUDITED 2023 SBD	FORECAST 2024 SBD	BUDGET 2025 SBD	FORECAST 2026 SBD	FORECAST 2027 SBD	FORECAST 2028 SBD	FORECAST 2029 SBD	FORECAST 2030 SBD
Operating activities								
Cash received from customers	563,946,789	629,192,004	579,086,992	540,280,737	491,149,756	475,983,023	448,569,125	453,750,055
Cash paid to suppliers and employees	(436,485,895)	(455,043,021)	(438,400,331)	(431,607,052)	(430,922,958)	(421,290,834)	(389,115,169)	(390,564,904)
Net cash provided by operating activities	127,460,893	174,148,983	140,686,661	108,673,685	60,226,797	54,692,189	59,453,956	63,185,151
Investing Activites								
Net payments for property, plant and equipment	(176,041,147)	(190,833,903)	(325,758,586)	(302,604,385)	(206,619,590)	(200,216,584)	(102,465,154)	(80,800,000)
Domestic Development Bonds - SIG	(17,857,143)	36,428,571	21,785,714	11,785,714	4,285,714	4,285,714	-	-
Self-insurance Fund net payments		(50,000,000)						
Net cash used in investing activity	(193,898,290)	(204,405,331)	(303,972,872)	(290,818,671)	(202,333,876)	(195,930,870)	(102,465,154)	(80,800,000)
Financing activities								
LOANS RECEIVED								
- IDA CREDIT	-	4,150,000	38,765,000	-	-	-		
- AIFFP	-		3,400,000	26,559,360	41,499,000	6,224,850		
TOTAL	-	4,150,000	42,165,000	26,559,360	41,499,000.00	6,224,850.00	-	-
Principal Repaid								
- IDA CREDIT	(2,802,313)	(2,802,313)	(2,802,313)	(5,361,480)	(5,361,480)	(5,361,480)	(3,960,323)	
- AIFFP	-	-	(2,082,579)	(4,149,900)	(4,149,900)	(4,149,900)	(4,149,900)	
Interest Repaid								
- IDA CREDIT	(700,502)	(645,128)	(476,316)	(2,183,005)	(1,966,089)	(1,756,731)	(1,537,785)	
- AIFFP	-	-	(7,629)	(471,649)	(908,828)	(859,029)	(809,231)	
TOTAL	(3,502,815)	(3,447,441)	(5,368,838)	(12,166,034)	(12,386,297)	(12,127,140)	(10,457,238)	-
Interest on bond	3,832,143	2,681,396	1,366,071	758,036	375,000	160,714	-	-
TOTAL	3,832,143	2,681,396	1,366,071	758,036	375,000	160,714	-	-
Grants Received								
- IDA Grants - (USD2m)								
- IDA/SREP/SID-DOCK	11,048,990	29,750,929	69,418,834					
- NZ Aid Grant			2,552,200	10,208,802				
- Output Based Aid Program (OBA)								
- AIFFP	-	-	6,309,834	32,049,952	50,078,050	11,718,264		
- Other		-	-	-	-	-		
TOTAL	11,048,990	29,750,929	78,280,869	42,258,754	50,078,050	11,718,264	-	-
Dividends	(4,000,000)	(1,718,396)	411,541	2,566,296	-	-	-	-
Net cash provided by Financing activities	7,378,318	31,416,488	116,854,644	59,976,412	79,565,753	5,976,688	(10,457,238)	-
CASH BALANCES								
Net increase in cash and cash equivalents	(59,059,079)	1,160,139	(46,431,567)	(122,168,574)	(62,541,325)	(135,261,993)	(53,468,437)	(17,614,849)
- Cash & Cash Equivalents - OPENING	287,423,413	228,364,334	229,524,473	183,092,906	60,924,331	(1,616,994)	(136,878,987)	(190,347,424)
Cash & Cash Equivalents - CLOSING	228,364,334	229,524,473	183,092,906	60,924,331	(1,616,994)	(136,878,987)	(190,347,424)	(207,962,272)
Minimum Working Capital (3 months fuel)	60,956,008	67,835,418	55,132,762	56,259,533	54,269,934	42,148,737	11,760,849	15,724,132

4.3 Funding Sustainability

To fund the $1.22B CAPEX Programme, SP needs to draw upon all available financing resources. The Board has set a Debt to Equity limit of 30%. The proposed funding mix remains within those parameters into the medium term (2030).

INTEREST SUMMARY	2023	2024	2025	2026	2027	2028	2029	2030
- AIFFP Loan	-	-	7,629	471,649	908,828	859,029	809,231	759,432
- IDA CREDIT	700,502	645,128	476,316	2,183,005	1,966,089	1,756,731	1,537,785	1,407,472
TOTAL	700,502	645,128	483,946	2,654,654	2,874,917	2,615,760	2,347,015	2,166,903
LOAN BALANCE								
- IDA CREDIT	27,036,336	28,384,023	64,346,709	58,985,229	53,623,749	48,262,269	44,301,946	41,742,780
- AIFFP	-	-	1,317,421	23,726,881	61,075,981	63,150,931	59,001,031	54,851,131
TOTAL	27,036,336	28,384,023	65,664,130	82,712,110	114,699,730	111,413,200	103,302,977	96,593,910
Debt to Equtiy Ratio (%)	14.04%	17.59%	21.76%	21.45%	25.72%	24.69%	23.76%	25.98%
Return on Equity	3.10%	1.95%	-0.46%	-2.94%	-6.38%	-6.69%	-13.33%	-15.19%
Self-Financing Ratio (at least 25%)	72%	91%	43%	36%	29%	27%	58%	78%

5. GOVERNANCE OVERVIEW

5.1 Introduction

This Statement of Corporate Objectives (SCO) is submitted by the Board of Directors of the Solomon Islands Electricity Authority (SP) in accordance with Section 13 of the State Owned Enterprises Act 2007 (SOE Act). It sets out the Board's overall intentions and objectives for SP for the year commencing 1 January 2025 and the following two financial years.

5.2 Business Scope

SP is the owner, manager, operator and/or licensor of electricity supply infrastructure in areas of operation throughout the Solomon Islands as directed by the Minister under Section 13(1) (b) of the Electricity Act 1969.

Its present areas of electricity supply operation include the towns and general surrounds of Honiara, Auki, Buala, Gizo, Kirakira, Lata, Malu'u, Munda, Noro, Seghe, Taro and Tulagi.

5.3 SP's Duties

Its duties (as per Section 13 of the Electricity Act) are:

(a) to manage and work any electrical installations transferred to the Authority by the Government and such other installations and apparatus as may be acquired by the Authority;

(b) to establish, manage and work such electrical installations as the Minister may from time to time require or as the Authority may from time to time deem it expedient to establish;

(c) to secure the supply of electricity at reasonable prices;

(d) to promote and encourage the generation of electricity with a view to the economic development of Solomon Islands;

(e) *to advise the Minister on all matters relating to the generation, transmission, distribution and use of electricity;*

(f) *to ensure standards of safety, efficiency and economy in respect of the production, transmission, distribution and use of electricity.*

5.4 The Role of Electricity Supply Systems

The supply of electricity systems is essential for the proper development of towns to meet modern living standards in the country, and to facilitate its economic development. Increasing the reliability of supply is a necessary pre-requisite to growth in industrial and commercial investments.

5.5 Nature and Scope of Commercial Activities[3]

SP's principal commercial activities are:

a) Generation and distribution of electricity supply to connected customers in approved areas;
b) Operation, maintenance and development of assets that are necessary to achieve these outcomes on a long term sustainable basis; and
c) The approved expansion of services to increased areas of operation.

Any significant departure from these principal activities will be discussed initially with Shareholding Ministers, and then their approval sought through amended Statements of Corporate Objectives.

5.6 Corporate Social Responsibility

SP's prime corporate social responsibility is to provide reliable and safe electricity supply systems within its area of operations, while working in partnership with the community to plan, deliver and operate infrastructure in such a manner which seeks to mitigate the social and environmental impacts of SP's activities. This includes working closely with existing and new customers, landowners and agencies on current and future activities.

SP will work to develop performance targets and reporting frameworks to show how these responsibilities are embedded in SP's functions and actions.

5.7 Regulatory Framework

SP is governed directly under the SOE Act 2007, the Electricity Act 1969, the Electricity Regulations 1993 and the SOE Regulations 2010.

As regards securing regulated revenue, it is empowered, under Section 13 of the Electricity Act, to:

> *...exercise and perform its functions under this Act as to secure that the total revenues of the Authority are sufficient to meet its total outgoings properly chargeable to revenue account, including depreciation, loan redemption and interest on capital, taking one year with another and making adequate allowance for any increase or decrease in the cost of replacing any property owned and used by the Authority.*

The Minister may, under Section 14 of the Electricity Act, give directions to the Authority:

...in relation to matters that appear to him to affect the interests of Solomon Islands...

There are no regulated service standards for SP's electricity delivery performance, other than those stated in Part II of Electricity Regulations regarding frequency and voltage variations, etc. SP has developed a set of standards and performance measures that are used for internal management purposes. In addition, a Customer Survey was carried out in 2022 which aligns with our plan to carry out such survey every two years to assess our performance in relation to our customers' expectations. With the results of 2022, any further improvements will small therefore it is not necessary to carry out another survey in 2024/2025.

As an SOE, SP is expected to also obey all other Acts and Regulations that may affect its work, unless otherwise directed by the Minister. Reviews have taken place to ensure compliance with all of the relevant Acts and Regulations.

5.8 Relationship to the National Development Plan

The Government has developed and published a National Development Plan (NDP). The following extracts from the NDP that relate to SP and SP's actions in relation to them are commented on as follows:

- **Focus Area Objective 5 – 1: Enabling Environment for Private Sector Led Growth:** SP is closely following the SOE legislation to ensure that it operates as a sustainable business; the objective of the SISEP Project. Furthermore, SP is encouraging private sector participation in the sector by developing Distributed Generation Regulations and by working with Independent Power Producers (IPPs) when needed.

- **Focus Area Objective 5 – 2: Enabling Environment for Private Sector Led Growth:** SP has already signed a Power Purchase Agreement with Tina Hydropower Limited for the Tina River Hydro Project. We are also well prepared for any privatisation plans that the Government may have in the future.

- **Focus Area Objective 6 – Energy Sector Planning and Management**: SP is undertaking more active publicity to bring to the attention of all sectors of the community the issues surrounding the energy sector. It will also support the Government with any policy issues, legislation and regulations. Recently SP has provided critical input to the Government's National Energy Policy 2019. Furthermore, SP is assisting the Ministry of Mines, Energy and Rural Electrification for the development of the scope for the review of the Electricity Act and Regulations.

- **Focus Area Objective 6 – Electricity - 1:** the main focus of SP is to provide reliable and affordable energy in all urban centres. Renewable energy sources are being investigated; the involvement of Independent Power Producers (IPPs) is being encouraged; over 92% of SP's customer base is now on pre-paid Cashpower meters; and the managerial and technical expertise of the organisation is being strengthened in preparation for Public Private Participation (PPP).

- **Focus Area Objective 6 – Electricity – 2:** SP is working closely with other agencies and Governments such as the World Bank, the Asian Development Bank, Japan International Cooperation Agency and the NZ Government to increase the supply and coverage to rural areas. There is a focus on hydro power, where possible, solar power, and encouragement of community and private participation.
- **Focus Area Objective 6 – Electricity – 3:** SP actively promotes energy conservation and is working with the Electrical Contractors' Association to improve the standards of equipment being installed throughout the country.

5.9 Solomon Islands National Electrification Plan (2019)

Below is an extract from the Solomon Islands National Electrification Plan's target areas & broad outcomes.

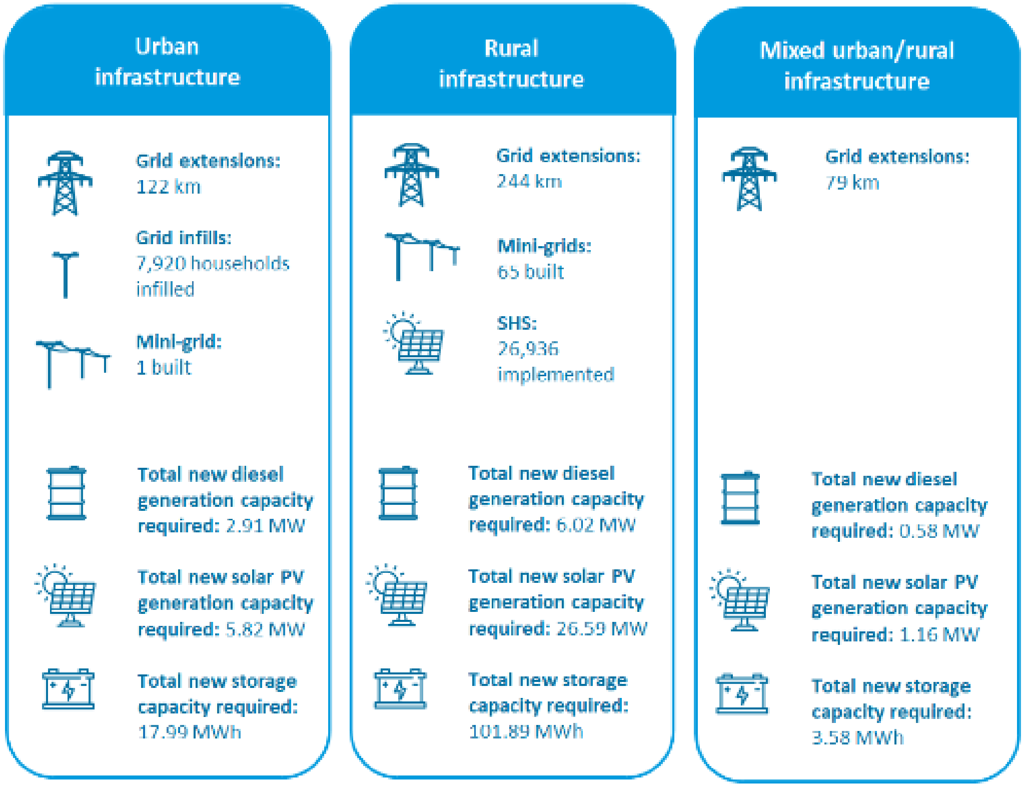
Table 0.1: SINEP 2019 target areas and broad outcomes

Thematic area	Broad outcome
Energy governance	Development of Energy Legislation
Electric power (urban)	Increase access to electricity in urban households to 80% by 2025
Electric power (rural)	Increase access to electricity in rural households to 40% by 2025 Increase access of safe, affordable, and reliable petroleum fuels to outer islands and remote rural locations
Renewable energy	Increase use of renewable energy sources for power generation in urban and rural areas to 50% by 2035
Petroleum and alternative liquid and gaseous fuels	Increase the development and penetration of gaseous fuels and alternative liquid fuels from indigenous raw materials
Energy efficiency and conservation	Improve energy efficiency and conservation in all sectors by 10% by 2030

Source: SINEP 2019
Note: Electrification targets are highlighted in blue

Summary of new infrastructure in National Electrification Plan. Solomon Power will work closely with MMERE on the implementation of the NEP

Figure 1.3: Summary of new infrastructure in NEP



Note: km figures are rounded to the nearest whole number[4], MW and MWh figures are rounded to 2 decimal places

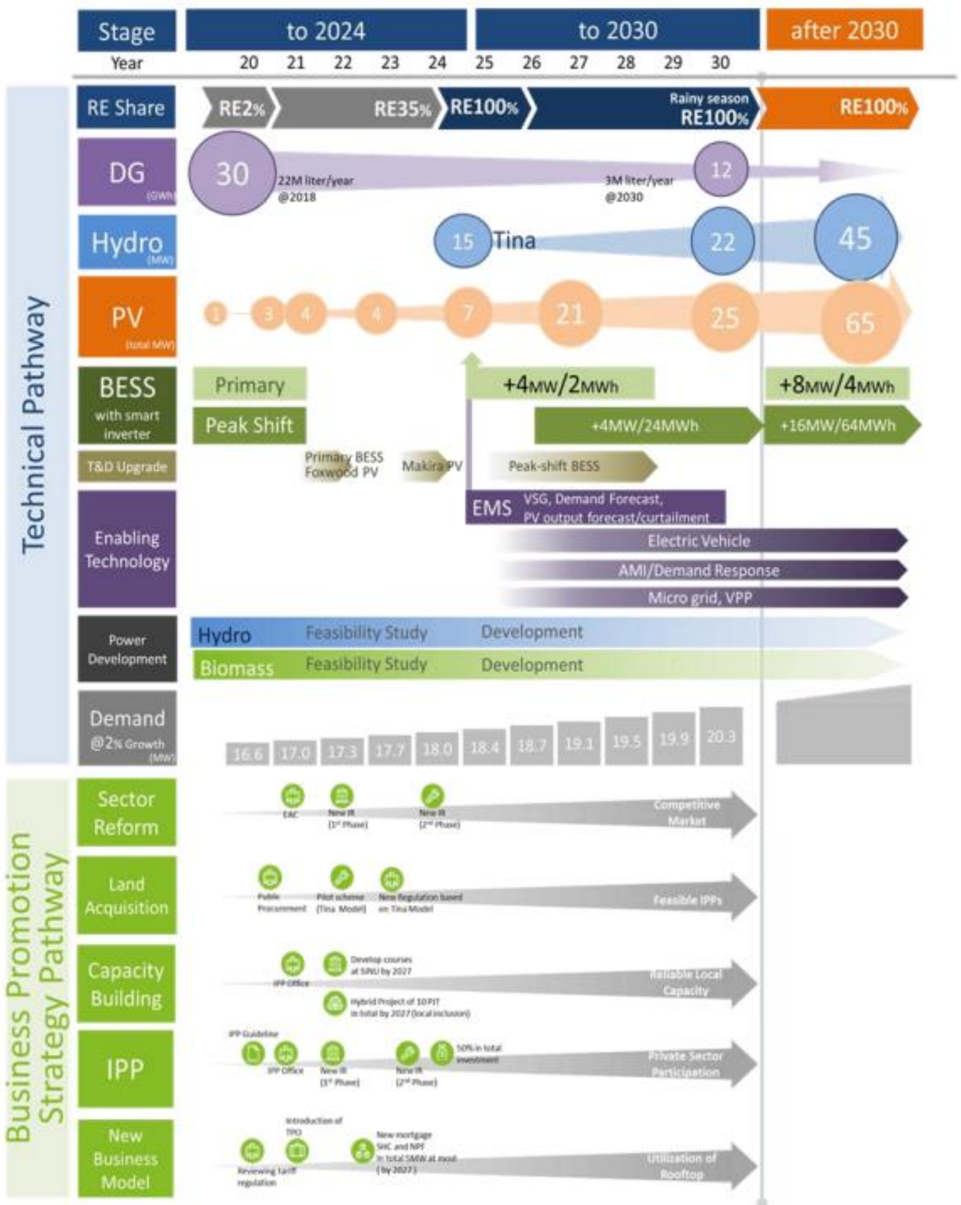
5.10 Renewable Energy Roadmap

Solomon Islands Renewable Energy Roadmap was launched in 2022. Below is the draft RERM.

8. Renewable Energy Road Map

8-1 Establishment of RERM

Recommended RERM is shown below.



Source: JICA Project Team

Outline of Renewable Energy Road Map for Honiara Grid (Draft)

5.11 Energy Summit Communique September 2024[6]

Energy Access for All

Recognizing that only 18% of Solomon Islanders currently have access to grid supplied electricity, with rural and remote areas being disproportionately underserved, the Solomon Islands Government commits to expanding access to energy across the nation. Specific targets include:

Urban Access: Increasing energy access in urban areas by 50% by 2030, based on 2023 data.

Rural Electrification: Expanding off-grid and standalone systems in rural areas by 30%, using the 2019 baseline by 2030.

Community-Based Solutions: Supporting community-driven renewable energy initiatives that empower local populations to sustainably manage their energy resources.

Reducing the Cost of Electricity

Acknowledging the high cost of electricity in the Solomon Islands, we commit to reducing energy tariffs by adopting renewable energy solutions and reforming energy policies. Our key goals are:

Tariff Reduction: 25% reduction by 2027 based on December 2023 Tariff.

Renewable Energy Projects: Facilitating the completion of the Tina River Hydro Project by 2028 to reduce reliance on diesel power generation and promote cleaner, cost-effective energy sources.

Sector Reforms: Introducing fiscal policies to reduce operational costs of Solomon Power and encourage private sector involvement in the energy sector.

Promotion of Renewable Energy

The Solomon Islands Government is committed to achieving 100% renewable energy by 2050, as set out in the Renewable Energy Road Map (RERM). We will accelerate the deployment of renewable energy projects through:

Hydropower and Solar Projects: Expanding the installation of Solar Photovoltaic (PV) and Battery Energy Storage Systems (BESS) and completing the Tina River Hydro Project.

Biomass and Feasibility Studies: Conducting feasibility studies on potential new renewable energy sources, including biomass and additional hydropower sites such as Komarindi.

Private Sector Investment: Encouraging private sector participation through the Independent Power Producer (IPP) framework and public-private partnership models.

[6] This is draft from Declaration by Solomon Islands Government on Energy Access September 2024. The Final signed document is yet to be received by Solomon Power.

Policy Reforms and Institutional Strengthening

To foster sustainable energy development, the Government will implement the following actions:

Energy Roadmap: Developing a comprehensive Energy Roadmap that addresses energy access, affordability, efficiency, and a clear path to renewable energy dominance.

Regulatory and Institutional Reforms: Strengthening energy governance, including reforms to the Electricity Act and the establishment of the IPP Office to facilitate private investment in renewable energy.

Capacity Building and Innovation

Recognizing the importance of local capacity, the Solomon Islands Government will support initiatives that build technical expertise and foster innovation:

Energy Research Hub: Establishing an Energy Research and Innovation Hub to explore new technologies and solutions in renewable energy.

Education and Training: Promoting educational programs, including renewable energy diploma courses at Solomon Islands National University (SINU), and supporting hybrid energy projects to build local technical capacity.

Climate Resilience and Sustainability

As part of our energy planning, we commit to integrating climate resilience to support low-carbon energy development, in alignment with the Solomon Islands' obligations under the Paris Agreement:

Low-Carbon Energy Solutions: Prioritizing low-carbon and climate-resilient energy infrastructure and projects – pursue Soltuna cooling plant retrofiting

Paris Agreement and SDG Alignment: Ensuring alignment with Solomon Islands' Nationally Determined Contributions (NDCs) and key Sustainable Development Goals, including SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action).

Financing and International Cooperation

To support our energy transition, we call for increased cooperation and financing in the following areas:

Development Partnerships: Strengthening collaborations with international organizations, donors, and development partners to support renewable energy projects.

Sustainable Financing Mechanisms: Exploring innovative financing options, such as climate finance, National Rural Electrification Fund and Public-Private Partnerships (PPPs), to close the investment gap in energy infrastructure.

Accountability and Monitoring

The Solomon Islands Government will ensure accountability and transparency in the implementation of this Declaration by:

Monitoring and Reporting: Establishing an Energy Taskforce to monitor progress and provide annual reports on the targets related to energy access, cost reduction, and renewable energy development.

Stakeholder Engagement: Facilitating ongoing dialogue between the Government, the private sector, and development partners to ensure collaborative action in the energy sector.

6. CAPITAL STRUCTURE TARGETS AND FORECAST RATIOs

The estimated capital structure at end 2024, and those forecast for the next three years are as follows:

Capital structure and Investment (as per IFRS)	2024 Forecast	2025 Budget	2026 Plan	2027 Plan
Debt ($M)	313m	386m	370m	417m
Equity ($M)	1,777m	1,770m	1,721m	1,619m
Debt to Equity ($M)	17.6%	21.8%	21.5%	25.8%
Capital Investment ($M)	191m	326m	303m	207m

SP's intent is that investment-related expenditures can be recovered from connected customers over time. It is SP's intention that it should be able to fund a portion of its investments from its own cash-flows, donor funding and loans through Solomon Islands Government and if necessary borrow the remainder on the basis of its own balance sheet.

7. CAPITAL PERFORMANCE TARGETS AND INDUSTRY MEASURES[7]

The targets for SP's performance are detailed below. They are contingent on no unexpected or materially adverse events occurring. These ratios are explained in Appendix A. SAIFI and SAIDI are internationally recognised measures of Electricity Distribution and Generation Companies' performance indicators.

a) To be as profitable and efficient as comparable businesses:

Operational Performance Targets	2024 Forecast	2025 Budget	2026 Plan	2027 Plan
System Interruption Frequency Index (SAIFI)	3.0 times	3.0 times	3.0 times	3.0 times
System Interruption Duration Index (SAIDI)	100 minutes	140 minutes	140 minutes	140 minutes
kWh Sales Growth	1.5%	1.5%	1.5%	1.5%
Average Tariff	$7.4087	$6.1049	$5.6634	$4.9913

Financial Performance Targets	2024 Forecast	2025 Budget	2026 Plan	2027 Plan
Net Profit ($M)	34m	-8m	-52m	-107m

[7] State Owned Enterprises Act, Section 13 (2) (e)

Current Ratio	3.3	3.2	2.2	1.6
ROA (%)	1.7%	-0.4%	-2.6%	-5.2%
Return on Equity (%)	2.0%	-0.4%	-3.0%	-6.4%

Commercial Performance Targets	**2024 Forecast**	**2025 Budget**	**2026 Plan**	**2027 Plan**
Collections ratio (%)	90	90	90	90
Losses – Technical and non-technical	17.0%	17.0%	17.0%	17.0%
Debtors Days (excluding SIG)	30	30	30	30
Number of customers	26,700	28,000	30,000	32,000

b) To be a good employer:

Non-Financial Performance Targets	**2024 Forecast**	**2025 Budget**	**2026 Plan**	**2027 Plan**
No. of Lost Time Injuries	0	0	0	0
LTIFR (Lost Time Injury frequency Rate)	0	0	0	0
% Staff Turnover (non-retirement)	2.0%	2.0%	2.0%	2.0%
No. of Unfair Dismissal Case Lost	0	0	0	0

c) To be an organisation that exhibits a sense of social responsibility:

Corporate Social Responsibility		
Area	**Target**	**2025 Proposed Actions**
Environmental Care	Compliance with environmental laws and regulations.	• Identify relevant laws, regulations and consents, and establish current performance. • Work with Ministry of Environment to resolve bulk, electronic and oil waste disposal issues. • Ensure that EIS and EMP are in place for Capital Works projects where required. • Implement work Programme to improve performance. • Prepare an annual sustainability report
Public Safety	Public accidents due to SIEA operations reduced by 20%	• Identify and track incidents. • Identify remedial actions that can be taken. • Use the media to communicate safety issues to the public. • Advise the public on how to deal with safety issues.
Climate Change	Identify greenhouse gas emissions resulting from SIEA activities	• Catalogue sources of emissions from SIEA activities, and commence Programme of estimating emissions from the top three areas. • Continue with Energy Efficiency and Demand Management Programmes through the media.

8. DIVIDEND POLICY[8]

This dividend policy provides guidelines that SP should use to determine how much of its earnings it should pay to its Shareholders, the responsible Ministers. This should be negotiated annually between the Board and the Shareholding Ministers and agreed in writing as part the Statement of Corporate Objectives.

This negotiated dividend will consider SP's:

- Capital Structure
- Cash Flow
- Working Capital requirements
- Capital Investment Plans
- An appropriate contingency for financial flexibility

The Board considered on 20th November 2018 a number of options for the dividend policy including:

No Dividend Policy

SP will use all its internally generated funds to reinvest in its infrastructure or to reduce tariffs.

Residual Dividend Policy

Dividends will only be paid if there are retained earnings left over after SP has financed all investment projects capable of generating acceptable returns. This method leads to volatility which governments don't normally like.

Dividend Stability Policy

Dividends are set at a fraction of annual Net Profit. This approach reduces uncertainty for the Shareholder.

CSO as Dividend Policy

The Board adopted the CSO as Dividend Policy in 2016 and $4.4m was the dividend for 2016. In 2017, there was no CSO received from MOFT. A $1.5 million was received in 2018 as CSO from the Ministry of Finance and Treasury. No CSO was requested for 2020, 2021 and 2022 financial years.

Hybrid Dividend Policy

SP would set a dividend that is a small fraction of its annual Net Profits over the medium term. SP could top this up if Net Profits over the medium term significantly exceeds this forecast average. This final approach is most commonly used now. The Board has deliberated on 20th November 2018 and

[8] State Owned Enterprises Act, Section 13 (2) (f)

opted to adopt a Hybrid Dividend Policy. It should be noted that the Net Profit used to calculate the dividend amount is based on operating profit only and does not include revaluation increments if any.

Parameters are

Fraction of Net Profit – 5% per annum Stability   Residual – Excess of NPAT $100m at 10%

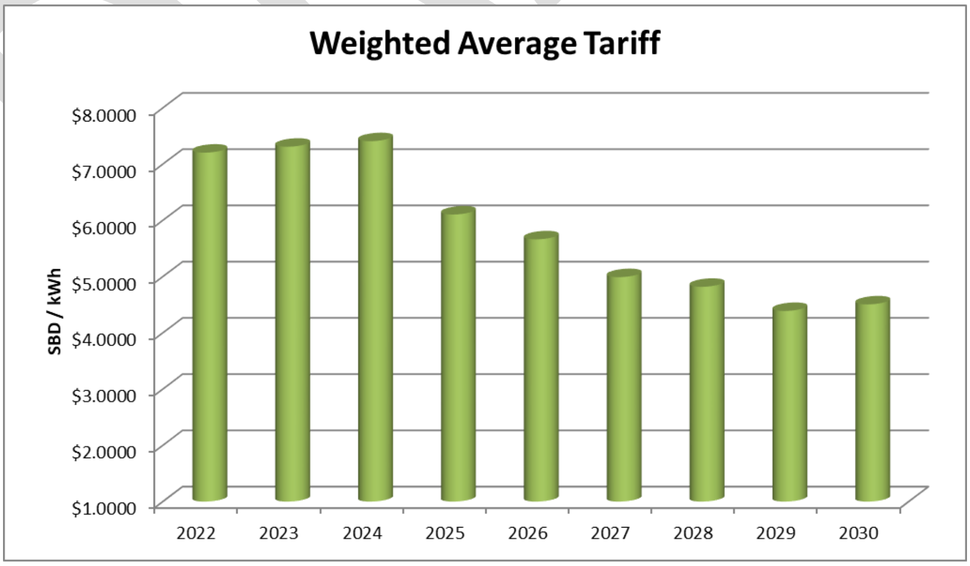
Year	2024 Forecast	2025 Budget	2026 Plan	2027 Plan
Dividend	$1.7m	$0m	$0m	$0m

In recommending payment of dividends to shareholders, SP Directors will follow the policies of similar public companies, and will comply with Section 14 of the SOE Act.

9. ELECTRICITY TARIFF

Going into the next three years, the Government of the Day's policy is to reduce tariff. Following the Energy Summit in September 2024, one of the outcomes in the Communique is for the electricity tariff to be reduced by 25% in the next three years, with the baseline to be December 2023. This will deviate from Solomon Power's current process for computing monthly charges of Supply of Electricity. While Solomon Power has not sighted the final signed communique when writing this Statement of Corporate Objective, Solomon Power has factored this change in 2025 Budget and will proceed with the implementation in 2025 with an 8.3% reduction in the first year starting January 2025.

Therefore, for the 2025 Budget and the next 5 years forecasting is based on a tariff reduction in overall tariff by $0.67 in year 2025, $1.34 in year 2026 and $2.01 in the next subsequent years.



To help relieve the financial burden that comes with the reduced the tariff charges, SP must increase it renewable capacity so that its reliance on fuel can come down thus leads to reduction in fuel cost, the company's biggest cost. With the commission of Tina Hydro expected in 2028, this should assist

Solomon Power's reliance on fuel. Additionally, it will subsequently increase electricity demand by connecting more customers and reduce both the technical and non-technical losses. Furthermore, Solomon Power is also continuously looking for efficiency gains in way that it conducts its business to enable operational costs to be kept at a minimal as well re-prioritising its capital projects.

Given that the reduction in fuel charge will only be achieved when Tina River Hydro and other Solar plants are commissioned which is likely to be two to three years away there are other strategies that Solomon Power with support from Accountable Ministry needs to look into for period of 2025 to 2027. These include

a) Hedging of fuel including discussions with partners for banking line to enable SP to hedge its fuel purchases.
b) Tax Exemptions on Fuel purchases by Solomon Power.
c) Possible request for Community Social Obligation.

10. INFORMATION TO BE REPORTED[9]

To enable the Shareholding Ministers to assess the value of their investment in SP, any information that would normally be supplied to a controlling private shareholder will be made available.

An annual report for each financial year, including audited financial statements, will be submitted in accordance with Section 14 of the SOE Act. The annual report will:

- Contain sufficient information to enable an informed assessment to be made of SP's operations, including a comparison with the SCO; and
- State the dividend payable to the shareholders for the relevant financial year.

SP will also submit the following information to the Shareholding Ministers:

- Half-yearly reports in accordance with Section 15 of the SOE Act, which will include unaudited profit and loss, balance sheet and cash flow statements together with such details as are necessary to permit an informed assessment of the company's performance during that reporting period; and
- Draft of SP's Strategy Plan and a draft SCO, which will be made available to Shareholding Ministers for discussion prior to the commencement of the financial year to which the plan and the SCO relates.

SP will, in addition, provide other information relating to the affairs of the company as might be requested by the Shareholding Ministers pursuant to section 19 of the SOE Act and in accordance with good continuous disclosure practice.

[9] State Owned Enterprises Act, Section 13 (2) (g)

11. ACTIVITIES FOR WHICH COMPENSATION IS SOUGHT INFORMATION TO BE REPORTED[10]

SP will, in accordance with Section 8 of the SOE Act and Part 6 of the State Owned Enterprises Regulation 2010 (The Regulations), seek compensation sufficient to allow SP's position to be restored if the Government wishes SP to undertake activities or assume obligations that, in SP's view, will:

- Result in a reduction of SP's profit or net worth; or
- Modify or expand the electricity networks in ways that might negatively affect its ongoing capacity, security and/or reliability

There are two major areas where the Government has requested SP to provide services that would otherwise be non-commercial.

- Provision of Electricity supply in the Outstations; and
- Operation and Maintenance of Streetlights in Honiara and the Outstations,

The provision of power to the Outstations is non-commercial because of the cost of fuel transport, the size of the operation and the relatively high level overheads associated with the provision of power in these small areas. SP has made significant improvements to the efficiency of operations in the outstations with the effect that some outstation operations are making a reasonable return and the other outstations are close to breaking even. SP will continue this effort through a number of initiatives including automation of the outstations, improved fuel delivery mechanisms, implementing renewable energy (solar & Hydro) and Supervisory Control and Data Acquisition Systems (SCADA).

The provision of Streetlights in Honiara and the Outstations has been an area of neglect due to provincial governments (in the main), town councils and some ministries not taking responsibility for this function. The Government therefore decided in 2014 to request SP to perform this important civic function on behalf of the Government. This function has been costed and started in 2015 and has since been completed.

The Government in 2016, has written to SP stating that CSO will be allocated to Capital Projects.

In 2018 the Solomon Islands Government had committed and paid $1.5 million as CSO for services in the Provinces and for Streetlights in Honiara and at the Outstations. The Government and SP will agree the scope and cost of the Community Service Obligations (CSO) scheme in the future. In 2019, 2020 2021, 2022, 2023 and 2024, SP did not make a request for CSO payment. However, this position will change in subsequent years.

In 2025, with the Tariff reduction SP is considering requesting to the government for the following support. These are areas that deemed non-commercial.

- Connection Charges for Customers with similar offering to the Output based Aid (OBA) Program. Connection costs is a barrier. This is the labour charge (excluding material) imposed by Electrical Contractors for domestic customer's ranges from SBD1,000 to

[10] State Owned Enterprises Act, Section 13 (2) (g)

SBD5,000. As a result of this, despite extending the network both in Honiara & Provinces the uptake is low. Solomon Power is considering funding to assist with connections and may likely in the future request for this to be covered by CSO.

- Network extensions, particularly in Provincial Areas where it is not commercially viable for Solomon Power.

- Power bills for customers such as hospitals & clinics. Most of these are on commercial terms and the customers are struggling to meet their bills and are not able to adhere to terms and conditions of Solomon Power.

12. SUBSIDIARY COMPANIES

SP has no subsidiary companies at present. SP is currently exploring options to setup subsidiary companies. SP will consult with the Shareholding Ministers in due course.

13. OTHER MATTERS AGREED BY THE SHAREHOLDING MINISTERS AND THE BOARD

There are no other matters that have been agreed by the Shareholding Ministers and SP Board for inclusion in this statement pursuant to Section 13(2)(j) of the SOE Act. Any such matters will be formally reported as appropriate in Annual Reports.

14. COMMERCIAL VALUE OF THE SHAREHOLDERS' INVESTMENT

The principal physical assets of SP primarily include:

- Lungga Power Station.
- Honiara Power Station.
- Henderson Solar Farm.
- 33kV, 11kV and LV overhead, underground and substation network and metering systems in Honiara.
- Outstation Power stations at: Auki, Buala, Gizo, Kirakira, Lata, Malu'u, Munda, Noro, Seghe, Taro and Tulagi
- 11kV and LV overhead and substation networks and metering systems associated with the above Outstation Power stations.
- Head Office building in Ranadi including the extension of the ground floor.
- 71 staff houses and 51 land parcels in Honiara.
- 33 staff houses in the various Outstations.
- 49 ha of land under perpetual or fixed term estate.

In addition, the company has significant intellectual capital in staff, company processes and procedures.

The audited estimate of the current commercial value of the Shareholders' investment in SP was $1,777M as at the end of 2024. This compares with a value of $1,744M as at end 2023 based on the audited 2023 accounts.

15. ACCOUNTING POLICIES[11]

SP has adopted IFRS standards as the basis of its accounting policies as regards the measurement and reporting of profit, cash-flow, movements in equity, and financial position.

Details of SP's accounting policies and their application are given in Appendix B.

APPENDIX A – DEFINITIONS

Capital Structure and Investment	
Debt	"Debt" equals current and non-current debt and finance leases
Equity	"Equity" equals share capital, reserves and accumulated retained earnings.
Total Funds Employed	"Total Funds Employed" equals current liabilities, non-current liabilities and equity.
Ratio of (Debt) to (Debt plus Equity)[12]	Self-explanatory
Capital Investment	Capital investment equals total capital expenditure, excluding net property acquisitions/disposals
Operational Performance Targets	
SAIFI	System Average Interruption Frequency Index
SAIDI	System Average Interruption Duration Index
Load-shed Index	Number of days with load-shed events due to lack of generation capacity
Revenue per KWh	In SBD
Financial Performance Targets	
Operating profit margin (%)	[Earnings before interest, tax, depreciation, amortisation (EBITDA)] divided by [total revenue].
Interest coverage (times)	[Earnings before interest, tax, depreciation, amortisation, (EBITDA) less cash tax], divided by [interest paid].

[11] State Owned Enterprises Act, Section 13 (2) (d)

[12] State Owned Enterprises Act, Section 13 (2) (c)

Return on assets (ROA) (%)	[Earnings before interest and tax expense (EBIT)], divided by [average capital employed]. *Capital employed is made up of current assets plus fixed assets (excluding works under construction), less current liabilities (excluding current debt, interest payable and income in advance).*
Return on equity (ROE) (%)	Profit After Tax divided by equity.
Commercial Performance Targets	
Collections ratio (%)	(Revenue Received)/ (Revenue Billed)
Aged Debt Index ($M >90 days)	Self-explanatory
Debtor Days	Number of days to collect the outstanding debt
Customer Service Index	No. of written complaints from customers

APPENDIX B - ACCOUNTING POLICIES[13]

1. Reporting entity

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

2. Nature of Operations

The principal activity of SIEA is the generation, distribution and sale of electricity in the Solomon Islands. SIEA is the owner and operator of the Solomon 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.

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 non-current assets and financial instruments as identified in specific accounting policies below.

5. Use of estimates and judgments

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

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

6. Specific Accounting Policies

a) Basis of Consolidation

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

b) Goodwill

SP does not recognised any goodwill.

[13] State Owned Enterprises Act, Section 13 (2) (d)

c) Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. SIEA recognises revenue when it transfers control over a product or service to a customer.

There is an implied contract between a customer and the Authority for the purchase, delivery, and sale of electricity. This represents a promise to transfer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. The customer obtains control of the good (electricity) when delivered and consumed by them over time. Invoices are issued monthly and are usually payable within 14 days thus there is no significant financing component. Additionally, discount is provided to some customers against the approved tariff rates. Contract with customers permit quantities of electricity consumed to be estimated based on previous months' average consumption in the event the Authority could not conduct the monthly meter readings.

- Tiered-pricing for customers; and
- Estimate of unbilled electricity supplied to customers.

The variable consideration is included in the transaction price only to the extent that it is 'highly probable' that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. In respect to the considerations from:
a) Read meter customers, these are not constrained because it is calculated based on actual units consumed during the period, thus variability due to tiered-pricing on consideration for the period is known.

b) Unread meter customers, the unbilled electricity supplied at period end is estimated based on previous periods' average consumption (expected value). Similarly, the monthly billed consideration is estimated as well. Management consider this to be best estimate of the transaction price without incurring undue cost and time and thus not necessary for SIEA to quantify all possible outcomes using complex models and techniques. Additionally, the full transaction price not considered constrained as the likelihood and potential magnitude of the revenue reversal is not considered by management to be significant.

d) Accounts Receivable

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. Accounts receivable are designated as per the 'Held to Collect' business model and an allowance matrix is used to measure the expected credit loss of accounts receivable.

e) Inventories

Stocks of materials are recorded at the lower of cost and net realisable value after due consideration for excess and obsolete items. Cost is determined on a weighted average basis.

f) Investments

SP has no non-core investments.

g) Other Financial Assets at Fair Value through Profit or Loss

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

h) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. These assets are carried at amortised cost using the Held to Collect business model.

i) 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.

j) 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 income statement.

k) Property, Plant and Equipment

Property, plant and equipment are recognised at cost less accumulated depreciation. Cost is determined by including all costs directly associated with bringing the assets to their location and condition for their intended use.

l) 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 use.

m) Depreciation

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 estimated useful lives are as follows:

Power Stations - 20 years

Freehold Buildings – 40 years

Overhead and Underground distribution networks - 20 years

Metering system assets- 20 years

IT Assets – 5 years

Vehicles – 5 years

Administration Assets - 10 years

n) Non-Current Assets Held for Sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets (and disposal groups) 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 (or disposal group) is available for immediate sale in its present condition and is expected to be completed within one year from the date of classification.

o) Investment Property

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

p) Leased Assets

SIEA has applied IFRS 16 using the modified retrospective approach.

As a lessee

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

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

As a lessor

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

q) Intangibles

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 the SP 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. SP 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 SP 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.

r) Impairment of Assets

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

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement 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.

s) Debt

Debt is designated as fair value through profit or loss on the basis of preventing an "accounting mismatch". The company's net debt is managed as one integrated portfolio; therefore, measuring derivatives and net debt on different bases would create a recognition inconsistency or accounting mismatch.

Fair values of quoted debt are based on prices current at balance date.

The effect on fair values of credit risk (i.e. the premium over the basis interest rate risk for credit to reflect the credit rating of the relevant counterparty) is based on quoted market prices.

t) 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 SP in respect of services provided by employees up to reporting date.

Contributions to defined contribution plans are expensed when incurred.

u) Taxation

The part of the Income of the Authority which is derived from the sale of electricity shall not be liable to income tax.

v) 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 income statement.

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 income statement. The gains or losses in the associated derivative are also recognised in the income statement.

w) Translation of Foreign Group Entities

SP has no foreign or other subsidiaries.

x) 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.

y) Grants

An unconditional grant related to an asset is recognised in profit & 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 SP will comply with the conditions associated with the grant and are recognised in profit and loss as other income on a systematic basis over the useful life of the asset. Grants that compensate SP for expenses incurred are recognised in profit and loss on a systematic basis in the same period in which the expenses are recognised.

7. New Standards adopted

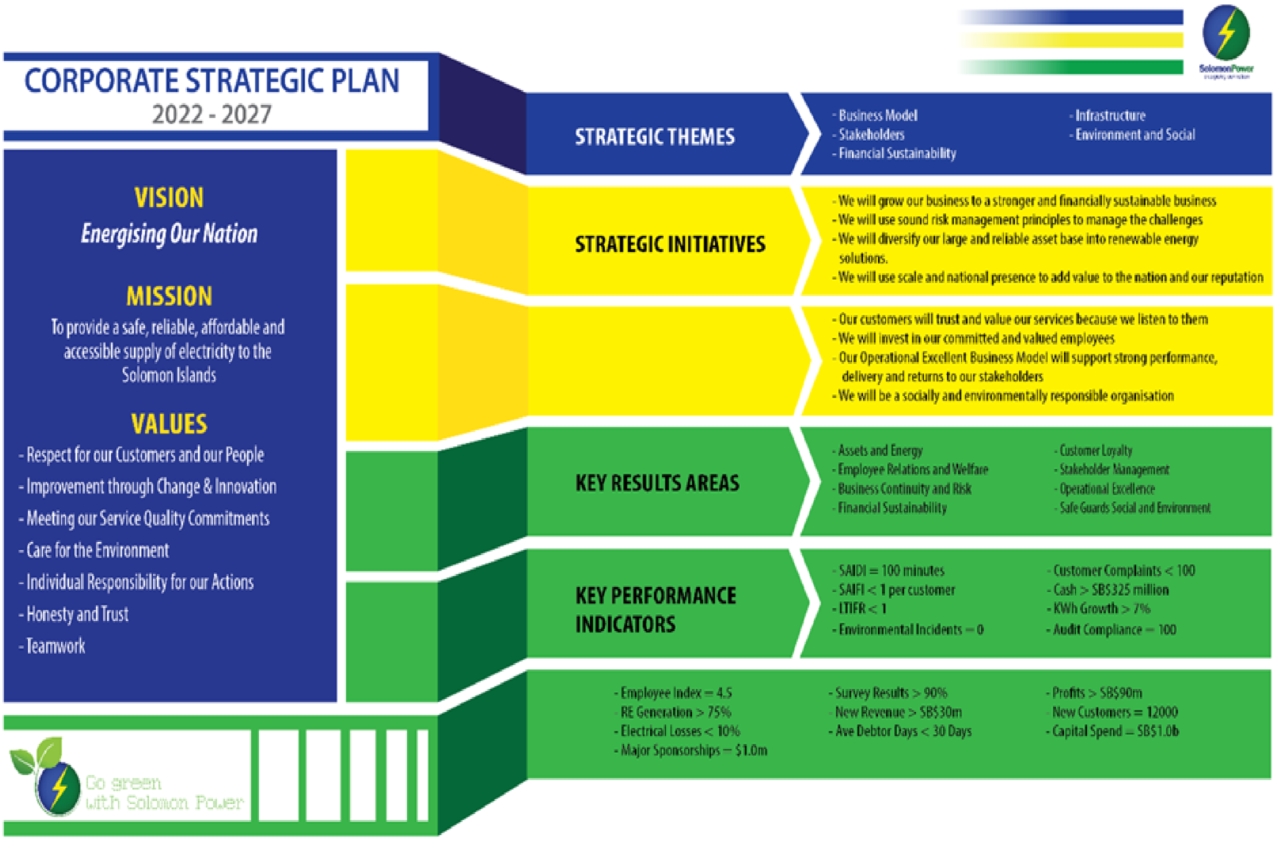
SP has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers as on 1^{st} January 2018. Further, SP has adopted IFRS 16 Leases which is effective from 1^{st} January 2019.

APPENDIX C – CAPITAL PROJECTS 2024 to 2030

SOLOMON POWER
CAPITAL BUDGET - 2022 Forecast, 2023 Budget, 2025 - 2030 Forecast
18-Nov-24

PROJECT	2024 FORECAST WIP	2025	2026	2027	2028	2029	2030	TOTAL
MAJOR PROJECTS								
Henderson 2 MW Solar Expansion	4,000,000	1,000,000	2,000,000					7,000,000
Solar - Ranadi Head Office Roof	4,000,000	300,000						4,300,000
Central BESS - 3.5MW	1,000,000	2,000,000	5,000,000	3,000,000	3,000,000			14,000,000
Data Centre Building	6,000,000	500,000						6,500,000
Tanagai 1 MW Solar Farm			6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	24,000,000
Old Lungga P/Station Electrical Upgrade	500,000	10,000,000	10,000,000	10,000,000	5,000,000			35,500,000
SCADA Implementation - Master Station	2,500,000	1,500,000						4,000,000
SCADA Implementation - Protection Upgrade	2,500,000	500,000						3,000,000
SCADA Implementation - OPGW/ADSS			5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
Express Feeder for Fighter 1 Solar Farm			500,000	5,000,000				5,500,000
66kv transmission - Tina River Hydro - Lungga	8,950,000	8,200,000	24,320,000	30,000,000	50,000,000			121,470,000
TOTAL MAJOR	**29,450,000**	**24,000,000**	**52,820,000**	**59,000,000**	**69,000,000**	**11,000,000**		**245,270,000**
SECONDARY PROJECTS								
BUILDING PROJECTS								
Green Village Construction	5,000,000		15,000,000					20,000,000
ENERGY ACCESS PROGRAM								-
EAP for first 500 customers		2,000,000						2,000,000
WORLD BANK ACCESS PROJECT								-
CBSP Phase 1	6,000,000							6,000,000
CBSP Phase 2	2,000,000	8,000,000	4,300,000					14,300,000
JICA Phase 2 Road Upgrade Works	5,000,000							5,000,000
Town Ground to White River Diversions for ADB Road Upgrade Works	5,000,000	5,000,000						10,000,000
SP New Fuel Meters								-
SYSTEMS								-
ICT - Strategy		260,000	450,000	350,000				1,060,000
ICT Softwares		650,000	550,000	450,000				1,650,000
Business Applications		500,000	800,000	650,000				1,950,000
Control Centre		2,780,000						2,780,000
BUSINESS DEVELOPMENT								-
Fiber Optic Commercialization		166,667						166,667
Electrical Goods Subsidiary		166,667	1,500,000	200,000	200,000			2,066,667
Electrical Goods R&M Services								-
Electrical Vehicles		166,667	500,000	500,000	500,000			1,666,667
Solomon Power Energy Efficient Initiative (SPEEI)								-
Business Continuity	1,900,000							1,900,000
TOTAL SECONDARY	**24,900,000**	**19,690,000**	**23,100,000**	**2,150,000**	**700,000**	**-**	**-**	**70,540,000**
OUTSTATIONS PROJECTS	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**TOTAL**
Outstation Generator Project								-
Ambu Solar Farm - 2MW with BESS		2,000,000	16,000,000	2,000,000	2,000,000	2,000,000	2,000,000	26,000,000
Gizo Mile 6 Solar Farm	5,000,000		16,000,000	3,000,000	3,000,000	3,000,000	3,000,000	33,000,000
Noro Munda Generation		2,500,000	2,500,000	10,000,000	15,000,000	15,000,000	15,000,000	60,000,000
Noro-Munda new overhead 11kv link & ADSS	8,000,000	12,000,000	5,000,000					25,000,000
ADB FUNDED SOLAR								-
Tulagi 150kw solar farm	2,000,000							2,000,000
Kirakira 150kw solar farm	2,000,000	2,000,000						4,000,000
Lata 150kw solar farm	2,000,000	4,000,000						6,000,000
Maluu 150kw solar farm	2,000,000	2,000,000						4,000,000
Munda 1mw solar farm	2,000,000							2,000,000
Hybrid - Consultant								-
HYBRID MICRO GRIDS								-
New Power Station - Afio			3,000,000	6,000,000	6,000,000	6,000,000	6,000,000	27,000,000
New Power Station - Hauhui	2,000,000	2,000,000	3,000,000	2,000,000				9,000,000
New Power Station - Sasamuga	2,000,000	4,000,000	3,000,000	2,000,000				11,000,000
New Power Station - Vonunu	2,000,000	4,000,000	3,000,000	2,000,000				11,000,000
New Power Station - Namugha	2,000,000		2,000,000	3,000,000	2,000,000	2,000,000	2,000,000	13,000,000
New Power Station - Visale	1,000,000	12,000,000	3,000,000					16,000,000
New Power Station - Tingoa	1,000,000	12,000,000	3,000,000					16,000,000
New Power Station - Dala	1,000,000	12,000,000	3,000,000					16,000,000
New Power Station - Bina	1,000,000	12,000,000	3,000,000					16,000,000
New Power Station - Baolo	1,000,000	12,000,000	3,000,000					16,000,000
Solar Hybrid 1 - Kia			3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
Solar Hybrid 2 - Kolotubi					1,700,000	1,700,000.00	1,700,000	5,100,000
Solar Hybrid 3 - Biluro			3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
Solar Hybrid 4 - santa Ana					2,000,000			2,000,000
Solar Hybrid 5 - Lambi					2,000,000			2,000,000
Solar Hybrid 6 - Ulawa					1,700,000	1,700,000	1,700,000	5,100,000
Solar Hybrid 7 - Kiu			3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
Solar Hybrid 8 - Foondo					500,000			500,000
Solar Hybrid 9 - Talakali					500,000			500,000
Solar Hybrid 10 - Marau			3,000,000					3,000,000
Solar Hybrid 11 - Pakera								-
Solar Hybrid 12 - Talibau					1,700,000	1,700,000	1,700,000	5,100,000
Solar Hybrid 13 - Emu Harbour Ranogga	10,038,000				500,000			10,538,000
Solar Hybrid 14 - Aruligo				2,000,000	1,700,000	1,700,000	1,700,000	7,100,000
TOTAL OUTSTATIONS	**46,038,000**	**94,500,000**	**80,500,000**	**41,000,000**	**49,300,000**	**43,800,000**	**43,800,000**	**398,938,000**
BUILDING PROJECTS								
TOTAL BUILDINGS	**12,950,000**	**39,260,000**	**23,150,000**	**13,625,000**	**12,000,000**	**2,000,000**	**2,000,000**	**104,985,000**
GENERATION PROJECTS								
TOTAL GENERATION	**3,300,000**	**79,470,000**	**43,300,000**	**18,275,000**	**3,950,000**	**1,275,000**	**-**	**149,570,000**
DISTRIBUTION PROJECTS								
TOTAL DISTRIBUTION	**12,000,000**	**6,600,000**	**14,100,000**	**12,200,000**	**12,200,000**	**-**	**-**	**57,100,000**
BUSINESS AS USUAL PROJECTS (BAU)	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	
Distribution - Network Replacement & Extensions	6,730,000	6,364,000						13,094,000
Customer Services - meters replaced	5,329,906	5,069,605	5,750,478	6,435,682				22,585,671
Plant & Equipment/Overhaul	40,500,000	38,530,181	56,071,907	51,133,909	52,766,584	44,190,154	35,000,000	318,192,735
Furniture & Fixtures - Staff/Office	512,089							512,089
Information & Communication Equipment	1,200,000	2,374,900	1,972,000	1,600,000				7,146,900
Tools - Divisions & Personal	971,935	2,500,000	200,000	200,000	300,000	200,000		4,371,935
Vehicles - New & Replacement plan	6,927,118	7,399,900	1,640,000	1,000,000				16,967,018
TOTAL BAU	**62,171,048**	**62,238,586**	**65,634,385**	**60,369,590**	**53,066,584**	**44,390,154**	**35,000,000**	**382,870,347**
TOTAL PROJECTS	**190,809,048**	**325,758,586**	**302,604,385**	**206,619,590**	**200,216,584**	**102,465,154**	**80,800,000**	**1,328,473,347**

APPENDIX D – SP STRATEGIC PLAN 2022 to 2027



APPENDIX E – Statement of Financial Position – 2023 (Audited), 2024 Forecast, 2025 Budget, 2026 to 2030 Forecast

Solomon Islands Electricity Authority
Statement of financial position
2023 Audited, 2024 Forecast, 2025 Budget, 2026 to 2030 Budget

	AUDITED 31-Dec-23 SBD$	FORECAST 31-Dec-24 SBD$	BUDGET 31-Dec-25 SBD$	FORECAST 31-Dec-26 SBD$	FORECAST 31-Dec-27 SBD$	FORECAST 31-Dec-28 SBD$	FORECAST 31-Dec-29 SBD$	FORECAST 31-Dec-30 SBD$
Assets								
Non-current assets								
Property, plant and equipment	1,293,765,949	1,384,875,844	1,369,523,343	1,482,796,022	1,520,984,685	1,620,952,551	1,629,627,378	1,636,250,222
Right of use Assets	5,957,897	5,957,897	5,957,897	5,957,897	5,957,897	5,957,897	5,957,897	5,957,897
Works In Progress	176,350,861	190,833,903	348,568,586	306,732,248	291,718,076	191,934,660	107,865,685	23,796,710
Government Bonds	113,571,429	42,189,842	20,357,143	8,571,429	4,285,714	0.00	-	-
Total non-current assets	**1,589,646,136**	**1,623,857,486**	**1,744,406,969**	**1,804,057,596**	**1,822,946,372**	**1,818,845,108**	**1,743,450,960**	**1,666,004,829**
Current assets								
Cash In the Bank	228,317,334	229,477,473	183,628,442	61,375,852	(1,652,928)	(137,428,761)	(191,245,349)	(217,850,925)
Petty Cash	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000
Debtors	71,505,752	130,688,190	114,808,406	108,907,402	97,568,646	95,611,980	88,401,750	92,114,374
Stocks	73,026,530	78,785,487	85,904,596	89,476,414	90,635,138	90,644,361	86,874,653	83,002,347
Prepayments	26,935,036	26,935,036	26,935,036	26,935,036	26,935,036	26,935,036	26,935,036	26,935,036
Total current assets	**399,831,652**	**465,933,186**	**411,323,480**	**286,741,703**	**213,532,892**	**75,809,616**	**11,013,090**	**(15,752,168)**
Total assets	**1,989,477,788**	**2,089,790,672**	**2,155,730,449**	**2,090,799,299**	**2,036,479,265**	**1,894,654,724**	**1,754,464,050**	**1,650,252,661**
Liabilities								
Current Liabilities	80,596,636	140,195,479	128,798,050	131,235,643	129,885,116	126,102,515	113,266,120	119,165,461
Deferred Income	132,771,756	143,107,882	190,617,666	155,187,241	172,025,523	137,482,906	119,661,377	124,097,739
Lease Liabilities	903,788	903,788	903,788	903,788	903,788	903,788	903,788	903,788
Term Liabilities & Loans	30,655,633	28,384,023	65,664,130	82,712,110	114,699,730	111,413,200	103,302,977	96,593,910
Total liabilities	**244,927,813**	**312,591,171**	**385,983,634**	**370,038,783**	**417,514,157**	**375,902,410**	**337,134,262**	**340,760,899**
Net Assets	**1,744,549,975**	**1,777,199,501**	**1,769,746,815**	**1,720,760,516**	**1,618,965,107**	**1,518,752,314**	**1,417,329,789**	**1,309,491,762**
Equity								
Contributed capital	246,933,170	246,933,170	246,933,170	246,933,170	246,933,170	246,933,170	246,933,170	246,933,170
Reserves	637,034,116	637,034,116	637,034,116	637,034,116	637,034,116	637,034,116	637,034,116	637,034,116
Accumulated Profits / (Losses)	860,582,689	893,232,215	885,779,529	836,793,230	734,997,821	634,785,028	533,362,503	425,524,476
Total equity	**1,744,549,975**	**1,777,199,501**	**1,769,746,815**	**1,720,760,516**	**1,618,965,107**	**1,518,752,314**	**1,417,329,789**	**1,309,491,762**

APPENDIX F – Statement of Comprehensive Income – 2023(Audited), 2024 Forecast, 2025 Budget, 2026 to 2030 Forecast

Statement of Comprehensive Income

2023 Audited, 2024 Forecast, 2025 Budget, 2026 - 2030 Forecast

	AUDIT 2023 SBD	FORECAST 2024 SBD	BUDGET 2025 SBD	FORECAST 2026 SBD	FORECAST 2027 SBD	FORECAST 2028 SBD	FORECAST 2029 SBD	FORECAST 2030 SBD
Operating Income								
Electricity sales								
CashPower Sales	162,876,703	185,247,196	162,738,004	154,373,481	138,301,082	135,527,557	125,307,240	130,569,789
Kwh Sales	398,226,862	435,627,300	382,694,686	363,024,672	325,228,820	318,706,599	294,672,501	307,047,912
CashPower Fees	952,511	824,060	807,579	821,307	835,270	849,469	863,910	878,597
Kwh Fees	664,932	247,226	242,281	246,400	250,589	254,849	259,181	263,587
Sundry Income	14,744,438	9,641,762	9,805,672	9,972,368	10,141,898	10,314,311	10,489,654	10,667,978
	577,465,446	631,587,543	556,288,222	528,438,228	474,757,659	465,652,784	431,592,485	449,427,863
Less Cost of Sales	2%	9%	-14%	-5%	-11%	-2%	-8%	
Electricity Bought						33,000,000	110,000,000	110,000,000
Fuel Oil	243,824,030	271,341,672	223,850,951	228,483,171	220,428,940	171,207,408	47,745,140	63,672,864
Lubricating Oil	3,403,092	2,565,617	2,537,396	2,580,531	2,624,400	2,669,015	2,714,388	2,760,533
Generation R&M	20,956,677	35,641,320	33,274,503	33,840,170	34,415,452	35,000,515	35,595,524	36,200,648
	268,183,799	309,548,609	259,662,850	264,903,872	257,468,793	241,876,939	196,055,052	212,634,045
Gross Profit	309,281,647	322,038,934	296,625,372	263,534,356	217,288,866	223,775,846	235,537,434	236,793,819
Margin	*54%*	*51%*	*53%*	*50%*	*46%*	*48%*	*55%*	*53%*
Other Operating Expenses								
Distribution R&M	9,423,344	5,951,356	4,335,110	4,408,807	4,483,756	4,559,980	4,637,500	4,716,337
Metering R&M	841,563	996,847	918,449	934,063	949,942	966,091	982,514	999,217
Property R&M	2,099,878	2,090,451	3,865,782	3,931,500	3,998,336	4,066,308	4,135,435	4,205,737
Employment Costs	88,637,505	91,935,907	99,197,860	100,884,224	102,599,256	104,343,443	106,117,281	107,921,275
	101,002,290	100,974,561	108,317,201	110,158,594	112,031,290	113,935,822	115,872,730	117,842,567
Operating Profit	208,279,357	221,064,373	188,308,171	153,375,763	105,257,576	109,840,024	119,664,703	118,951,252
Margin	*36%*	*35%*	*34%*	*29%*	*22%*	*24%*	*28%*	*26%*
Other Income or Adjustments								
Grant Income	6,104,842	6,104,842	7,488,331	5,706,765	4,397,549	4,397,549	4,397,549	2,378,349
Grant Income - IDA	2,726,737	2,719,750	2,356,417	3,546,292	3,546,292	6,295,667	6,295,667	6,295,667
Bond Income	3,882,815	3,220,949	1,366,071	758,036	375,000	160,714	-	-
	12,714,394	12,045,541	11,210,820	10,011,093	8,318,842	10,853,931	10,693,217	8,674,017
Overheads								
Training & Dev.	2,149,704	2,215,808	2,204,118	2,241,588	2,279,695	2,318,449	2,357,863	2,397,947
ICT	7,141,937	5,857,143	5,589,172	5,684,188	5,780,820	5,879,094	5,979,038	6,080,682
Vehicle Costs	4,835,541	3,718,509	3,354,728	3,411,758	3,469,758	3,528,744	3,588,733	3,649,741
Consultants	5,807,107	6,026,260	7,760,000	7,891,920	8,026,083	8,162,526	8,301,289	8,442,411
Customs & Logistics	1,497,015	1,692,415	837,755	851,997	866,481	881,211	896,191	911,427
Personnel Costs	7,491,614	5,459,027	6,379,681	6,488,136	6,598,434	6,710,607	6,824,688	6,940,707
Finance & Fees	9,730,286	12,394,511	12,871,481	13,090,296	13,312,831	13,539,149	13,769,315	14,003,393
Travelling	2,361,858	2,857,101	3,429,827	3,488,134	3,547,433	3,607,739	3,669,070	3,731,445
OHS Costs	1,390,146	950,622	1,557,248	1,583,722	1,610,645	1,638,026	1,665,872	1,694,192
Other Admin Costs	14,809,493	15,623,696	17,362,772	17,657,940	17,958,125	18,263,413	18,573,891	18,889,647
Total Overhead Costs	57,214,700	56,795,093	61,346,783	62,389,678	63,450,303	64,528,958	65,625,950	66,741,591
Financial Costs								
Depreciation	112,712,945	141,301,771	145,540,824	149,907,049	154,404,260	159,036,388	163,807,479	168,721,704
Interest on Loans	697,842	645,128	476,316	2,654,654	2,874,917	2,615,760	2,347,015	-
Total Financial Costs	113,410,787	141,946,899	146,017,140	152,561,703	157,279,177	161,652,148	166,154,495	168,721,704
NET PROFIT	50,368,264	34,367,922	(7,844,933)	(51,564,525)	(107,153,062)	(105,487,151)	(101,422,525)	(107,838,027)
Margin	*8.7%*	*5.4%*	*-1.4%*	*-9.8%*	*-22.6%*	*-22.7%*	*-23.5%*	*-24.0%*
ROE	*3.1%*	*2.0%*	*-0.4%*	*-3.0%*	*-6.4%*	*-6.7%*	*-13.4%*	*-15.2%*
ROA	*2.7%*	*1.7%*	*-0.4%*	*-2.4%*	*-5.2%*	*-5.4%*	*-10.7%*	*-12.3%*