Solomon Islands Electricity Authority trading as SOLOMON POWER

Financial Statements

For the year ended 31 December 2025

Contents

Directors' Report

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Solomon Islands Electricity Authority ("SIEA" or "the Authority"), trading as Solomon Power, as at 31 December 2025 and the related statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date and report as follows:

1. Directors

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

David K.C. Quan O.B.E - Chairman
James Apaniai
James Habu
Lilly Lomulo
Muriel Ha'apue-Dakamae

2. State of affairs

In complying with the *Electricity Act* (Cap 128) 1969 and the *State Owned Enterprises Act* of 2007, the Directors hereby submit the financial statements of SIEA consisting of the statement of financial position as at 31 December 2025, statement of comprehensive income, statement of changes in equity and statement of cash flows of SIEA for the year then ended.

3. Principal activities

The principal activities of SIEA during the course of the financial year were the generation, distribution and sale of electricity in the Solomon Islands as governed by the *Electricity Act* (Cap 128) 1969.

There were no significant changes in the nature of the activities of the Authority during the year.

4. Results of the operations

The total comprehensive income for the year was **$42,428,709** (2024: $56,211,727).

5. Dividends

The Directors have declared and paid a dividend of $3,000,000 for the financial year ended 2025 (2024: $3,000,000).

6. Going concern

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

7. Assets

The Directors took reasonable steps before the Authority's financial statements were made out to ascertain that the assets of the Authority were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

At the date of this report, the Directors were not aware of any circumstances which would render the values attributable to the assets in the financial statements misleading.

8. Transfer from asset revaluation reserves to retained earnings

During the year, there were no transfers from the asset revaluation reserve to retained earnings (2024: $171,883) as no assets were de-recognised.

Directors' Report

9. Bad and doubtful debts

The Directors took reasonable steps before the Authority's financial statements were made out to ascertain that all known bad debts were written off and adequate allowance was made for expected credit loss.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowance for expected credit loss, inadequate to any substantial extent.

10. Directors' benefits

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

11. Unusual transactions

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

12. Events subsequent to balance date

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

13. Other circumstances

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

Signed in accordance with a resolution of the Directors:

David K.C. Quan, O.B.E. Chairman	Muriel Ha'apue-Dakame Director

Dated at Honiara this 26th day of March 2026.

Solomon Islands
Office of the Auditor-General

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

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Solomon Islands Electricity Authority (the Authority) which comprise the Statement of Financial Position as at 31st December 2025, and the Statements of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes, comprising material accounting policies and other explanatory information as set out in notes 1 to 30.

In my opinion the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31st December 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Other Information

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

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

Responsibilities of management and those charged with governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

Independent Auditor's Report continued

International Standards of Supreme Audit Institutions (ISSAI) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Report on Other Legal and Regulatory Requirements

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

In my opinion:

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

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

iii) the Authority complied with the requirements of the State-Owned Enterprises Act, 2007, which requires the audited financial statements submitted to the Minister within three months of the financial year to which the financial statements relate.

David Dennis
Auditor General
16 March 2026

Office of the Auditor General
Honiara, Solomon Islands

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	Notes	2025 $	2024 $
OPERATING INCOME			
Electricity sales	5	573,180,673	637,680,702
Amortisation of deferred income		7,123,366	8,824,592
Other operating income	6	13,476,429	6,827,194
Reversal of credit impairment		5,284,176	-
TOTAL OPERATING INCOME		**599,064,644**	**653,332,488**
EXPENSES			
Generation and distribution expenses	7	(313,166,800)	(345,839,821)
Administrative expenses	8	(74,222,122)	(77,210,042)
Operating expenses	9	(28,869,048)	(32,819,099)
Depreciation and amortisation	16	(140,581,796)	(142,130,396)
Depreciation of right-of-use assets	17	(1,638,131)	(2,473,684)
Inventory and asset write-off		(792,747)	(622,343)
TOTAL EXPENSES		**(559,270,644)**	**(601,095,385)**
PROFIT FROM OPERATIONS		**39,794,000**	**52,237,103**
Finance income	11	3,795,971	5,052,392
Finance costs	11	(1,161,262)	(1,077,768)
NET FINANCE INCOME		**2,634,709**	**3,974,624**
PROFIT BEFORE TAX		**42,428,709**	**56,211,727**
Income tax	3(g)	-	-
PROFIT FOR THE YEAR		**42,428,709**	**56,211,727**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**42,428,709**	**56,211,727**

Statement of Financial Position

As at 31 December 2025

	Notes	2025 $	2024 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	12	313,909,394	309,385,459
Inventories	13	62,163,888	63,378,896
Trade and other receivables	14	42,870,519	58,162,709
Prepayments	15	15,458,935	15,880,829
TOTAL CURRENT ASSETS		**434,402,736**	**446,807,893**
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,604,703,928	1,546,501,695
Right-of-use assets	17	5,449,247	6,449,885
Government bonds	18	70,357,143	42,142,857
TOTAL NON-CURRENT ASSETS		**1,680,510,318**	**1,595,094,437**
TOTAL ASSETS		**2,114,913,054**	**2,041,902,330**
LIABILITIES			
CURRENT LIABILITIES			
Deferred income	19	9,847,355	8,824,592
Trade and other payables	20	71,274,772	50,697,282
Lease liabilities	17	1,114,980	1,387,422
Borrowings from SIG	21	2,802,313	2,802,313
Employee benefits	22	4,602,879	3,514,423
TOTAL CURRENT LIABILITIES		**89,642,299**	**67,226,032**
NON-CURRENT LIABILITIES			
Deferred income	19	147,719,741	132,605,206
Lease liabilities	17	877,806	1,615,398
Borrowings from SIG	21	9,538,666	12,480,077
Employee benefits	22	19,349,128	19,618,912
TOTAL NON-CURRENT LIABILITIES		**177,485,341**	**166,319,593**
TOTAL LIABILITIES		**267,127,640**	**233,545,625**
NET ASSETS		**1,847,785,414**	**1,808,356,705**
EQUITY			
Contributed capital	23	246,933,170	246,933,170
Asset revaluation reserve		648,351,665	648,351,665
Accumulated profit		952,500,579	913,071,870
TOTAL EQUITY		**1,847,785,414**	**1,808,356,705**

Signed for and on behalf of the Board of Directors:

Director

Director

Statement of Changes in Equity

For the year ended 31 December 2025

	Note	Contributed capital $	Asset revaluation reserve $	Accumulated profit $	Total equity $
BALANCE AT 1 JANUARY 2024		**246,933,170**	**648,523,548**	**859,688,260**	**1,755,144,978**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year		-	-	56,211,727	56,211,727
Disposal of revalued property, plant and equipment		-	(171,883)	171,883	-
TRANSACTION WITH OWNERS OF SIEA DIRECTLY RECOGNISED IN EQUITY					
Dividend declared and paid during the year		-	-	(3,000,000)	(3,000,000)
BALANCE AT 31 DECEMBER 2024		**246,933,170**	**648,351,665**	**913,071,870**	**1,808,356,705**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year		-	-	42,428,709	42,428,709
TRANSACTION WITH OWNERS OF SIEA DIRECTLY RECOGNISED IN EQUITY					
Dividend declared and paid during the year		-	-	(3,000,000)	(3,000,000)
BALANCE AT 31 DECEMBER 2025		**246,933,170**	**648,351,665**	**952,500,579**	**1,847,785,414**

Statement of Cash Flows

For the year ended 31 December 2025

	Notes	2025 $	2024 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		606,074,736	654,898,223
Cash payments to suppliers and employees		(393,052,458)	(444,273,846)
Interest income	11	3,795,971	5,264,655
Interest expense	11	(774,466)	(1,077,768)
NET CASH FROM OPERATING ACTIVITIES		**216,043,783**	**214,811,264**
CASH FLOWS FROM INVESTING ACTIVITES			
Receipt on Government bonds		-	71,428,572
Investment in Government bonds		(28,214,286)	-
Reimbursement from SIG		-	298,141
Acquisition of property, plant and equipment	16	(198,874,859)	(208,540,940)
Proceeds from sale of property, plant and equipment		284,368	-
NET CASH USED IN INVESTING ACTIVITIES		**(226,804,777)**	**(136,814,227)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(3,000,000)	(3,000,000)
Repayment of SIG Borrowings	21	(2,941,411)	(2,802,782)
Borrowing from SIG		-	2,679,722
Cash receipts from donor grants		23,260,664	8,651,054
Payment for lease liability	17	(2,034,324)	(2,503,907)
NET CASH FROM FINANCING ACTIVITIES		**15,284,929**	**3,024,087**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,523,935**	**81,021,124**
Cash and cash equivalents at beginning of the year		309,385,459	228,364,335
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	**313,909,394**	**309,385,459**

Notes to the Financial Statements

For the year ended 31 December 2025

Note 1 Reporting entity

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

The principal activities of SIEA during the course of the financial year were the generation, distribution and sale of electricity in the Solomon Islands. SIEA is the owner and operator of the Solomon Island Government's owned electricity supply systems.

Note 2 Basis of preparation

a) *Statement of compliance*

The financial statements have been prepared in accordance with the *Electricity Act* (Cap 128) 1969 and the *State Owned Enterprises Act* of 2007, and in accordance with accepted reporting principles. The financial statements comply with International Financial Reporting Standards (IFRS) Accounting Standards as issued by International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the SIEA's Board of Directors on [date].

b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

c) *Functional and presentation currency*

The financial statements are presented in Solomon Islands Dollars ("SBD"), which is SIEA's functional currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

d) *Use of judgements and estimates*

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

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

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

- Note 3(a) - Revenue;
- Note 3(c) - Impairment of non-derivative financial assets and non-financial assets;
- Note 3(e)(iv) - Revaluation of property, plant and equipment;
- Note 3(f) - Employee benefits; and
- Note 3(k) - Leases.

Notes to the Financial Statements

For the year ended 31 December 2025

Note 3 Material accounting policies

SIEA has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

a) Revenue

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

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

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

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

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

Revenue including upfront fees is recognised net of GST and discount over time and the progress is determined based on kilowatts (units) consumed. This provides a faithful depiction of the transfer of the good as the customer simultaneously receives and consumes the benefits provided by the Authority's performance of the electricity revenue contract.

The transaction price is determined based on approved tariffs at the time the service had been rendered and units of kilowatts consumed by the customers. The transaction price includes the non-refundable upfront fees as it is not considered to be a significant material right. The transaction price is considered to be variable due to the following:

- tiered-pricing for domestic, commercial and industrial customers; and
- estimate of unbilled electricity supplied to 'domestic' customers.

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

b) Financial instruments

i. Recognition and initial measurement

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

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

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL.

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

Notes to the Financial Statements

For the year ended 31 December 2025

Note 3 Material accounting policies (continued)

b) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

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

Financial assets: subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost under the effective interest method. The gross carrying amount is reduced by impairment losses. interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition. gains and losses accumulated in OCI are reclassified to profit or loss. These include short-term investments (term deposits).

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. The Authority's equity investments (if any) would relate to investments in listed securities.

Financial liabilities - classification, subsequent measurement and gains and losses

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

Notes to the Financial Statements

For the year ended 31 December 2025

Note 3 Material accounting policies (continued)

b) Financial instruments (continued)

iii. Derecognition

Financial assets

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

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

Financial liabilities

SIEA derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. SIEA also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

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

c) Impairment

i. Non-derivative financial assets

Financial instruments

SIEA recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost.

SIEA measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12 month ECL:

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

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECL as it does not include significant financing component. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Authority considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Authority's historical experience and informed credit assessment and including forward-looking information.

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

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

Notes to the Financial Statements

For the year ended 31 December 2025

Note 3 Material accounting policies (continued)

c) Impairment (continued)

i. Non-derivative financial assets (continued)

SIEA considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Authority considers this to be Baa3 or higher per rating agency Moody's or BBB or higher per rating agency Standards & Poor's. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which SIEA is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows: the present value of all cash shortfalls (i.e. the difference between the cash flows owed to the Authority in accordance with the contract and the cash flows that SIEA expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

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

Note 3 Material accounting policies (continued)

c) Impairment (continued)

ii. Non-financial assets

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

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

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

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

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

d) Inventories

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

Notes to the Financial Statements

For the year ended 31 December 2025

Note 3 Material accounting policies (continued)

e) *Property, plant and equipment*

i. Recognition and measurement

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

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

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

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

ii. Subsequent expenditure

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

iii. Depreciation

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2025

Note 3 Material accounting policies (continued)

e) Property, plant and equipment (continued)

iv. Revaluation of property, plant and equipment

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

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

The Directors propose to have such asset revaluations every three or five years.

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

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

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

v. 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 Authority's weighted average cost of borrowing. Assets are transferred from capital work in progress to property, plant and equipment as they become operational and available for its intended use.

Notes to the Financial Statements

For the year ended 31 December 2025

Note 3 Material accounting policies (continued)

f) Employee benefits

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

i. Short-term employee benefits

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

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

ii. Long-term employee benefits

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

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

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

g) Income tax

Under the *Electricity Act* (Cap 128) 1969, SIEA is exempt from income tax.

h) Foreign currency transactions

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

i) Grants

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

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

j) Provisions

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

Notes to the Financial Statements

For the year ended 31 December 2025

Note 3 Material accounting policies (continued)

k) Leases

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

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

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

i. As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price under a purchase option that SIEA is reasonably certain to exercise, lease payments in an optional renewal period if SIEA is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless SIEA is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured where there is a change in future lease payments arising from a change in an index or rate, if there is a change in SIEA's estimate of the amount expected to be payable under a residual value guarantee, or if SIEA changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements

For the year ended 31 December 2025

Note 3 Material accounting policies (continued)

k) Leases (continued)

Short-term leases and leases of low-value assets

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

ii. 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.

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

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

l) Accounting standard issued but not yet effective

A number of new accounting standards are effective for annual reporting periods beginning after 1 January 2025 and earlier application is permitted. However, the SIEA has not early adopted the following new or amended accounting standards in preparing these financial statements.

i. IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

The SIEA is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the SIEA's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The SIEA is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

ii. Other accounting standards

The following new and amended accounting standards are not expected to have a significant impact on the SIEA's financial statements.

- *Lack of Exchangeability (Amendments to IAS 21)*
- *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)*
- *IFRS 19 Subsidiaries without Public Accountability: Disclosures - effective 1 January 2027*

The SIEA has not performed a preliminary assessment of the potential impact of adoption of the above new and upcoming standards and interpretations on these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2025

Note 4 Financial risk management

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

- credit risk
- liquidity risk
- market risk
- interest rate risk

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

Risk management framework

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

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

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

i. Credit risk

Credit risk is the risk of financial loss to SIEA if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from SIEA's receivables from customers, investment in debt securities, and cash and call deposits.

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

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

Notes to the Financial Statements

For the year ended 31 December 2025

Note 4 Financial risk management (continued)

i. Credit risk (continued)

Expected credit loss assessment

Trade receivables

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

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

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

Kilowatt debtors:

	Weighted average loss rates %	Gross carrying amounts $	Loss allowance $	Credit impaired
2025				
Current - 30 days past due	23.3%	19,008,458	4,438,337	No
30 - 59 days past due	53.7%	3,967,543	2,129,331	No
60 - 89 days past due	99.5%	1,012,017	1,007,173	No
90 or more days in past due	100.0%	7,893,449	7,893,449	Yes
		31,881,467	**15,468,290**	
2024				
Current - 30 days past due	22.0%	23,320,090	5,123,914	No
30 - 59 days past due	33.9%	8,127,977	2,752,215	No
60 - 89 days past due	50.7%	4,093,066	2,073,449	No
90 or more days in past due	58.2%	17,782,498	10,352,558	Yes
		53,323,631	**20,302,136**	

Notes to the Financial Statements

For the year ended 31 December 2025

Note 4 Financial risk management (continued)

i. Credit risk (continued)

Cash power debtors:

	Weighted average loss rates %	Gross carrying amounts $	Loss allowance $	Credit impaired
2025				
Current - 30 days past due	54.4%	43,814	23,841	No
30 - 59 days past due	76.5%	2,646	2,024	No
60 - 89 days past due	99.2%	2,630	2,609	No
90 or more days in past due	100.0%	4,352,198	4,352,198	Yes
		4,401,288	**4,380,672**	
2024				
Current - 30 days past due	56.0%	71,015	39,793	No
30 - 59 days past due	75.5%	24,302	18,349	No
60 - 89 days past due	0.0%	-	-	No
90 or more days in past due	100.0%	4,780,702	4,780,702	Yes
		4,876,019	**4,838,844**	

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

The movement in the allowance for impairment in respect of trade receivables and other receivables during the year is disclosed in Note 14.

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

Cash and cash equivalents

SIEA held cash and cash equivalents of $313,909,394 at 31 December 2025 (2024: $309,385,459). The cash is held with different banks, whose ratings ranged from Aa3 to Caa1 based on Moody's credit ratings.

SIEA uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities. Impairment on cash and cash equivalents has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures.

Accordingly, due to short maturities, the Authority did not recognise an impairment allowance against cash and cash equivalents as at 31 December 2025 (2024: $nil).

Debt investment securities

SIEA held debt investment securities of $70,357,143 at 31 December 2025 (2024: $42,142,857). The debt investment securities are held with institutions which are rated Aa3 to B3 based on Moody's credit ratings. In relation to debt investment securities held with these institutions, the Authority monitors changes in credit risk by tracking published external credit ratings but when external credit ratings are not available or published, SIEA monitors changes in credit risk by reviewing available press and regulatory information.

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

The Authority did not recognise an impairment allowance against debt securities as at 31 December 2025 (2024: $nil).

Notes to the Financial Statements

For the year ended 31 December 2025

Note 4 Financial risk management (continued)

ii. Liquidity risk

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

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

The following are the contractual maturities of financial liabilities:

31 December 2025	Carrying amount $	6 months or less $	6 - 12 months $	Greater than 1 year $	Total $
FINANCIAL LIABILITIES					
Trade, other payables and customer deposits	67,129,852	67,129,852	-	-	67,129,852
Solomon Islands Government loan	12,340,979	1,647,976	1,619,953	10,285,593	13,553,522
Lease liability	1,992,786	719,654	300,662	4,349,720	5,370,036
	81,463,617	**69,497,482**	**1,920,615**	**14,635,313**	**86,053,410**

31 December 2024	Carrying amount $	6 months or less $	6 - 12 months $	Greater than 1 year $	Total $
FINANCIAL LIABILITIES					
Trade, other payables and customer deposits	47,079,069	47,079,069	-	-	47,079,069
Solomon Islands Government loan	15,282,390	1,706,804	1,678,781	13,638,802	17,024,387
Lease liability	3,002,820	919,425	746,370	4,185,012	5,850,807
	65,364,279	**49,705,298**	**2,425,151**	**17,823,814**	**69,954,263**

Notes to the Financial Statements

For the year ended 31 December 2025

Note 4 Financial risk management (continued)

iii. Market risk

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

Fuel price risk

SIEA is subject to a monthly tariff review. The tariff is based on the Electricity Tariff (Base Tariff and Tariff Adjustments) Regulations 2021 which is adjusted every month for the Honiara Consumer Price Index (CPI), the Producers Price Index (PPI, USA), the exchange rate between the US$ and SBD and the fuel price movements. Fuel costs of $238 million (2024: $257 million) comprises 42.41% (2024: 42.66%) of the expenditure of SIEA, so movements in fuel prices are critical to the profitability of SIEA. The monthly tariff review however considers the fuel price movements, the CPI, PPI and exchange rate changes, therefore there is a natural hedge against market movements.

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

		Profit or loss
	100bp decrease $'000	**100bp increase $'000**
Revenue	577,400	628,300
Expenditure	(536,632)	(584,232)
NET PROFIT	**40,768**	**44,068**

iv. Interest rate risk

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

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

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

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

v. Currency risk

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

Notes to the Financial Statements

For the year ended 31 December 2025

Note 5 Revenue

	2025 $	2024 $
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Kilowatt sales	387,529,381	447,418,254
Cash power sales	184,185,246	189,226,418
Sales works	1,466,046	1,036,030
	573,180,673	**637,680,702**
OTHER REVENUE		
Amortisation of deferred income	7,123,366	8,824,592
Stale cheques	185,802	35,597
Other income	13,290,627	6,791,597
Reversal of credit impairment	5,284,176	-
TOTAL REVENUE	**599,064,644**	**653,332,488**

Note 6 Other operating income

	2025 $	2024 $
Other	13,290,627	6,791,597
Stale cheques	185,802	35,597
TOTAL OTHER OPERATING INCOME	**13,476,429**	**6,827,194**

Note 7 Generation and distribution expenses

	Notes	2025 $	2024 $
Fuel		237,680,535	256,874,220
Lubricating oil		3,940,927	2,510,424
Other		4,502,250	4,539,200
Personnel	10	46,905,371	43,985,717
Repairs and maintenance		20,137,717	37,930,260
TOTAL GENERATION AND DISTRIBUTION EXPENSES		**313,166,800**	**345,839,821**

Notes to the Financial Statements

For the year ended 31 December 2025

Note 8 Administrative expenses

	Notes	2025 $	2024 $
Advertising		380,261	535,533
Bank fees		204,527	190,680
Computer bureau charges		2,937,113	2,036,888
Consultancy fees		4,645,791	4,916,354
Directors fees and expenses		353,732	631,270
Electricity		5,250,290	5,584,543
Electricity rebate		5,925,165	6,930,741
Freight		419,262	784,740
Insurance		3,161,003	3,506,406
Personnel	10	32,871,050	32,491,201
Printing and stationery		1,591,740	2,344,970
Professional fees		415,645	560,389
Property expenses		8,583,180	7,769,572
Telecommunications		2,923,411	3,747,583
Travel and accommodation		2,209,438	3,003,291
Impairment loss on trade receivables		-	2,175,881
Tax penalties		2,350,514	-
TOTAL ADMINISTRATIVE EXPENSES		**74,222,122**	**77,210,042**

Note 9 Operating expenses

	Notes	2025 $	2024 $
Customs handling charges		500,917	764,968
Personnel	10	21,079,979	22,653,915
Repairs and maintenance		2,935,814	4,078,644
Vehicle costs		4,352,338	5,321,572
TOTAL OPERATING EXPENSES		**28,869,048**	**32,819,099**

Notes to the Financial Statements

For the year ended 31 December 2025

Note 10 Personnel expenses

	2025 $	2024 $
Salaries and wages	59,969,517	58,046,299
National Provident Fund	3,841,439	3,632,591
Retirement benefit expense	3,437,662	3,892,513
Others	33,607,782	33,559,430
TOTAL PERSONNEL EXPENSES	**100,856,400**	**99,130,833**

Personnel expenses classed by function is as follows:

	2025 $	2024 $
Generation and distribution	46,905,371	43,985,717
Administrative	32,871,050	32,491,201
Operating expenses	21,079,979	22,653,915
	100,856,400	**99,130,833**

Average number of employees during the year was 325 (2024: 321).

Note 11 Net finance income

	2025 $	2024 $
FINANCE INCOME		
Interest received	3,753,071	4,924,152
Foreign exchange gain	42,900	128,240
TOTAL FINANCE INCOME	**3,795,971**	**5,052,392**
FINANCE COSTS		
Interest expense	(774,466)	(724,217)
Interest on lease liability	(386,796)	(353,551)
TOTAL FINANCE COSTS	**(1,161,262)**	**(1,077,768)**
TOTAL NET FINANCE INCOME	**2,634,709**	**3,974,624**

Notes to the Financial Statements

For the year ended 31 December 2025

Note 12 Cash and cash equivalents

For the purpose of cash and cash equivalents in the statement of financial position and in the statement of cash flows comprises of below:

	2025	2024
	$	$
Short-term deposits	24,392,973	44,381,439
Cash on hand	45,000	45,000
Cash at bank	289,471,421	264,959,020
TOTAL CASH AND CASH EQUIVALENTS	**313,909,394**	**309,385,459**

The short-term deposits amounting to $24,392,973 (2024: $44,381,439) are invested with ANZ Banking Group Ltd - Solomon Islands Branch at a rate of 0.05%. These deposits have terms of between on-call and three months. Accordingly, these short-term deposits have been considered as cash and cash equivalents for the purpose of the statement of cash flows.

Note 13 Inventories

	2025	2024
	$	$
Electrical and mechanical	63,334,591	63,848,670
Provision for inventory	(1,170,703)	(469,774)
TOTAL INVENTORIES	**62,163,888**	**63,378,896**

Note 14 Trade and other receivables

	2025	2024
	$	$
Trade receivables - kilowatt	31,881,467	53,323,631
Allowance for impairment - kilowatt	(15,468,290)	(20,302,136)
Trade receivables - cash power	4,401,289	4,876,019
Allowance for impairment - cash power	(4,380,672)	(4,838,844)
Staff advances	(794,299)	184,392
Allowance for impairment - staff advances	(35,433)	(37,732)
Unread meters	16,548,039	17,537,557
Solomon Island Government	-	3,728,250
Other debtors	10,907,487	3,974,827
Allowance for impairment - staff imprest	(189,069)	(283,255)
TOTAL TRADE AND OTHER RECEIVABLES	**42,870,519**	**58,162,709**

Allowance for impairment	2025 $	2024 $
Balance at the beginning of the year	25,461,967	23,303,905
Impairment (reversed)/recognised	(5,388,503)	2,158,062
BALANCE AT 31 DECEMBER	**20,073,464**	**25,461,967**

Notes to the Financial Statements

For the year ended 31 December 2025

Note 15 Prepayments

	2025	2024
	$	$
Bond deposits	465,110	476,610
Insurance	941,360	1,072,857
Inventories	5,555,507	5,606,908
Prepaid rental	1,397,409	1,354,416
Subscriptions	737,660	1,523,260
Overhaul equipment	5,286,155	5,530,926
Others	1,075,734	315,852
TOTAL PREPAYMENTS	**15,458,935**	**15,880,829**

Notes to the Financial Statements

For the year ended 31 December 2025

Note 16 Property, plant and equipment

	Land	Buildings	Generators	Plant & equipment	Distribution network	Furniture & equipment	Motor vehicles	Tools	Work in progress	Total
	$	$	$	$	$	$	$	$	$	$
BALANCE AT 1 JANUARY 2024	**106,286,298**	**195,926,332**	**244,082,155**	**112,210,644**	**502,329,422**	**44,435,879**	**39,787,124**	**16,959,797**	**405,540,424**	**1,667,558,075**
Additions	-	-	-	-	-	6,730	-	-	208,534,210	208,540,940
Disposals	-	(632,247)	(94,770)	-	-	(3,957,634)	(3,487,013)	(4,698,088)	-	(12,869,752)
Work in progress capitalised	36,045,755	8,059,900	21,758,557	16,941,630	38,462,642	1,936,889	5,377,118	709,719	(129,292,210)	-
BALANCE AT 31 DECEMBER 2024	**142,332,053**	**203,353,985**	**265,745,942**	**129,152,274**	**540,792,064**	**42,421,864**	**41,677,229**	**12,971,428**	**484,782,424**	**1,863,229,263**
Additions	-	-	-	-	-	-	-	-	198,874,859	198,874,859
Disposals	-	-	-	-	-	(722,133)	(1,608,055)	(147,994)	-	(2,478,182)
Work in progress capitalised	15,978,504	11,130,024	33,796,659	26,483,389	17,682,985	2,010,043	6,652,798	1,815,300	(115,549,702)	-
BALANCE AT 31 DECEMBER 2025	**158,310,557**	**214,484,009**	**299,542,601**	**155,635,663**	**558,475,049**	**43,709,774**	**46,721,972**	**14,638,734**	**568,107,581**	**2,059,625,940**

Note 16 Property, plant and equipment (continued)

	Land	Buildings	Generators	Plant & equipment	Distribution network	Furniture & equipment	Motor vehicles	Tools	Work in progress	Total
	$	$	$	$	$	$	$	$	$	$
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES										
BALANCE AT 1 JANUARY 2024	**26,615,394**	**20,398,671**	**32,039,057**	**6,950,619**	**24,466,083**	**34,809,915**	**27,265,170**	**14,301,354**	**-**	**186,846,263**
Depreciation	-	10,799,441	61,630,766	11,136,132	35,370,187	3,966,442	5,163,248	1,214,310	-	129,280,526
Amortisation of leasehold land	12,849,870	-	-	-	-	-	-	-	-	12,849,870
Depreciation on disposed assets	-	(131,297)	(94,770)	-	-	(3,852,546)	(3,478,246)	(4,692,232)	-	(12,249,091)
BALANCE AT 31 DECEMBER 2024	**39,465,264**	**31,066,815**	**93,575,053**	**18,086,751**	**59,836,270**	**34,923,811**	**28,950,172**	**10,823,432**	**-**	**316,727,568**
Depreciation	-	11,128,051	57,836,800	12,359,151	36,075,858	3,230,240	5,679,972	975,458	-	127,285,530
Amortisation of leasehold land	13,296,266	-	-	-	-	-	-	-	-	13,296,266
Depreciation on disposed assets	-	-	-	-	-	(712,305)	(1,527,055)	(147,992)	-	(2,387,352)
BALANCE AT 31 DECEMBER 2025	**52,761,530**	**42,194,866**	**151,411,853**	**30,445,902**	**95,912,128**	**37,441,746**	**33,103,089**	**11,650,898**	**-**	**454,922,012**
CARRYING AMOUNTS										
AT 31 DECEMBER 2024	**102,866,789**	**172,287,170**	**172,170,889**	**111,065,523**	**480,955,794**	**7,498,053**	**12,727,057**	**2,147,996**	**484,782,424**	**1,546,501,695**
AT 31 DECEMBER 2025	**105,549,027**	**172,289,143**	**148,130,748**	**125,189,761**	**462,562,921**	**6,268,028**	**13,618,883**	**2,987,836**	**568,107,581**	**1,604,703,928**

Notes to the Financial Statements

For the year ended 31 December 2025

Note 16 Property, plant and equipment (continued)

SIEA has a policy to revalue infrastructure and property assets every 5 years. The land and buildings asset classes were revalued in 2021, and the revaluation for generators and the distribution network was completed in 2023 by Assured Valuation Pty Ltd. SIEA is of the opinion that there has been no material change in the carrying values of land, building , generators and distribution networks since the last revaluations as the assets assets are appropriately maintained.

The revaluation of buildings using the replacement cost method involved the application of certain unobservable inputs. These included the standard cost per square metre, benchmarked against the rates issued by the Honiara Town Council. Additional, a depreciation rate was applied based on the physical inspection of the buildings, their condition and the estimated cost of materials required to restore them to their original state, reflecting current market prices.

In 2024, management undertook a fixed asset verification of its vehicles, ICT equipment, furniture & fixtures and tools to ascertain their existence and values. The exercise resulted in a disposal of $69,421, which was the book value of assets not in existence or no longer operational.

	2025 $	2024 $
Perpetual Estate Land	19,841,962	19,841,962
Fixed Term Estate	85,707,065	83,024,827
	105,549,027	**102,866,789**

Notes to the Financial Statements

For the year ended 31 December 2025

Note 17 Leases

As a lessee

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

	2025 $	2024 $
Property, plant and equipment owned	1,604,703,928	1,546,501,695
Right-of-use assets	5,449,247	6,449,885
TOTAL ASSETS	**1,610,153,175**	**1,552,951,580**

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

a) Right-of-use assets	Land $	Buildings $	Total $
2025			
Balance at 1 January	4,216,132	2,233,753	6,449,885
Additions to right-of-use assets	340,816	296,677	637,493
Depreciation charge for the year	(115,745)	(1,522,386)	(1,638,131)
BALANCE AT 31 DECEMBER	**4,441,203**	**1,008,044**	**5,449,247**
2024			
Balance at 1 January	4,302,664	1,655,233	5,957,897
Additions to right-of-use assets	373	2,965,299	2,965,672
Depreciation charge for the year	(86,905)	(2,386,779)	(2,473,684)
BALANCE AT 31 DECEMBER	**4,216,132**	**2,233,753**	**6,449,885**

b) Lease liabilities	2025 $	2024 $
Current	1,114,980	1,387,422
Non-current	877,806	1,615,398
TOTAL LEASE LIABILITIES	**1,992,786**	**3,002,820**

c) Amounts recognised in profit or loss	2025 $	2024 $
Interest on lease liabilities	386,796	353,551
Expenses relating to short-term leases	2,065,325	26,586
	2,452,121	**380,137**

d) Amounts recognised in statement of cash flows	2025 $	2024 $
Total cash outflow for leases	2,034,324	2,503,907

Notes to the Financial Statements

For the year ended 31 December 2025

Note 18 Government bonds

Government Bonds	Principal amount $	2025 $	2024 $
2018 Bond	30,000,000	12,857,143	17,142,857
2023 Bond	20,000,000	-	10,000,000
2023 Bond	15,000,000	7,500,000	15,000,000
2025 Bond	50,000,000	50,000,000	-
	115,000,000	**70,357,143**	**42,142,857**

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

On 18 October 2023 SIEA purchased a SIG Private placement Bond with a face value of $20M from the Solomon Islands Government. The bonds have an interest rate of 2.25% per annum which is to be paid semi-annually. The bonds have a maturity date of 24 October 2025.

On 8 December 2023 SIEA purchased Domestic Development Bonds with a face value of $15M from the Solomon Islands Government. The bonds have an interest rate of 3% per annum which is to be paid semi-annually. The bonds have a maturity date of 27 December 2026.

On 31 October 2025 SIEA purchased Domestic Development Bonds with a face value of $50M from the Solomon Islands Government. The bonds have an interest rate of 5% per annum which is to be paid semi-annually. The bonds have a maturity date of 30 October 2030.

Note 19 Deferred income

	2025 $	2024 $
Balance at 1 January	141,429,798	141,603,336
Additional deferred income	23,260,664	8,651,054
Deferred income recognised during the year	(7,123,366)	(8,824,592)
BALANCE AT 31 DECEMBER	**157,567,096**	**141,429,798**

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

	2025 $	2024 $
Current	9,847,355	8,824,592
Non-current	147,719,741	132,605,206
TOTAL DEFERRED INCOME	**157,567,096**	**141,429,798**

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

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

Notes to the Financial Statements

For the year ended 31 December 2025

Note 19 Deferred income (continued)

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

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

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

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

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

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

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

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

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

In 2017, ($0.306 million), 2018 ($5.476 million), 2019 ($37.731 million), 2020 ($6.639 million) and 2024 ($0.17 million) grants were received from the Asian Development Bank (ADB) to fund the construction of five grid connected solar power plants in an effort to increase the supply of reliable, clean electricity. The deferred income will be amortised to the statement of comprehensive income over the life of the project once the full amount of the grant (approximately $67 million) has been utilised and the asset capitalised to the Fixed Asset register.

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

Notes to the Financial Statements

For the year ended 31 December 2025

Note 19 Deferred income (continued)

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

In 2019, ($0.387 million), 2020 ($15.8 million), 2022 ($2.4 million), 2023 ($10.44 million) and 2024 ($8.48 million) and 2025 ($23.26 million) grants were received from the World Bank through the Solomon Islands Electricity Access and Renewable Energy Expansion Project (SIEAREEP) to fund construction of renewable energy hybrid mini-grids, electricity connections in low income areas, grid-connected solar power and the enabling of environment and project management. Total expected grant for the project is around $113.296 million. The deferred income will be amortised to the statement of comprehensive income upon subsequent completion of the specific projects. The capitalisation of the completed project will also be made into the Fixed Asset register. In 2025, capitalisation of two funded projects has started, $17.93 million for the 2MW solar farm project while $2.52 million for the Head office rooftop solar project. Both grant funds will be amortised for the next 20 years, matching the useful life of the assets.

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

In 2023, $1.27 million was also booked under the deferred income to fully reflect the $5.45 million that was received from the World Bank as funding towards this project. Amortisation of the deferred income has commenced in the current year.

Note 20 Trade and other payables

	2025 $	2024 $
Trade creditors	858,976	206,695
Other payables and accruals	58,313,389	39,577,168
Contractual liabilities	4,144,920	3,618,213
Consumer deposits	7,957,487	7,295,206
TOTAL TRADE AND OTHER PAYABLES	**71,274,772**	**50,697,282**

Notes to the Financial Statements

For the year ended 31 December 2025

Note 21 Solomon Islands Government loan agreement

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

	2025 $	2024 $
Balance at 1 January	15,282,390	15,405,450
Principal repayments	(2,941,411)	(2,802,782)
Borrowing	-	2,679,722
BALANCE AT 31 DECEMBER	**12,340,979**	**15,282,390**

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

	2025 $	2024 $
Current	2,802,313	2,802,313
Non-current	9,538,666	12,480,077
TOTAL BORROWINGS FROM SIG	**12,340,979**	**15,282,390**

Note 22 Employee benefits

	2025 $	2024 $
Current	4,602,879	3,514,423
Non-current	19,349,128	19,618,912
TOTAL EMPLOYEE BENEFITS	**23,952,007**	**23,133,335**

Movement is made up of the following:	2025 $	2024 $
Opening balance	23,133,335	22,495,923
Provisions made during the year	7,163,495	6,295,967
Provisions utilised during the year	(6,344,823)	(5,658,555)
CLOSING BALANCE	**23,952,007**	**23,133,335**

Note 23 Contributed capital

	2025 $	2024 $
Contributed capital	246,933,170	246,933,170

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

Notes to the Financial Statements

For the year ended 31 December 2025

Note 24 Commitments

SIEA undertakes capital works and purchases assets according to an approved budget when management considers that sufficient funds are available. Capital commitments as at 31 December 2025 amounted to $1,410,000,000 (2024: $1,229,000,000). These commitments are in relation to property, plant and equipment.

	2025 $	2024 $
Less than 1 year	556,000,000	326,000,000
Between 1 year and 5 years	854,000,000	903,000,000
	1,410,000,000	**1,229,000,000**

Note 25 Related parties

a) Directors

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

Name
David K.C. Quan O.B.E - Chairman
James Apaniai
James Habu
Lilly Lomulo
Muriel Ha'apue-Dakamae

Directors' fees and expenses are disclosed in Note 8.

SIEA's transactions with Directors were at arm's length.

b) Identity of related parties

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

c) Transactions with key management personnel

i. Key management personnel compensation

Key management personnel comprises of the Chief Executive Officer, Chief Financial Officer, Chief Engineer, Deputy Chief Engineer, General Manager Corporate Services, General Manager Customer Services, Manager Finance, Manager Regulatory, Manager Land & Buildings, Manager Generation and Outstations, Manager Distribution, Manager Occupational Health Safety, Manager Business Administration, Power Generation Lead Engineer, General Manager Special Projects, Chief Information & Communications Technology Officer, Manager Projects, Manager Construction, Manager Planning, Manager Contracts, Manager Management Accounting, Legal Counsel, OBA Program Manager and the Directors as listed in Note 25(a).

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

	2025 $	2024 $
Short-term employee benefits	14,588,861	13,734,169

Notes to the Financial Statements

For the year ended 31 December 2025

Note 25 Related parties (continued)

d) Amounts receivable from related parties

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

	2025 $	2024 $
Central Bank of Solomon Islands	858	140,453
Central Provincial Government	(2,849)	125,740
Choiseul Provincial Government	68,387	36,684
Commodity Export Marketing Authority	25,767	40,098
Guadalcanal Provincial Government	44,967	60,770
Home Finance Corporation	-	33,581
Honiara City Council	108,203	1,052,302
Makira/Ulawa Provincial Government	27,019	74,522
Malaita Provincial Government	233,540	939,842
Provincial Hospital	240,944	1,268,675
Solomon Airlines Limited	100,951	324,007
Solomon Islands Broadcasting Corporation	128,059	245,048
Solomon Islands Government	7,843,871	22,357,100
Solomon Islands National University	524,372	545,713
Solomon Islands Postal Corporation	52,777	54,379
Solomon Islands Water Authority	284,182	210,867
Temotu Provincial Government	45,946	67,678
Western Provincial Government	28,296	170,827
Isabel Provincial Government	34,485	287,645
Solomon Islands Ports Authority	67,738	942,298
Solomon Islands Visitor Bureau	1,573	394
	9,859,086	**28,978,623**

Receivables for the Solomon Islands Water Authority includes the trade receivables - kilowatt that relates to this organisation.

Note 26 Contingencies

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

The contingent liability for the authority as at 31 December 2025 is in the respect of a guarantee placed on its leased Generators.

	2025 $	2024 $
Details and estimates of maximum amounts of contingent liabilities are as follows:		
Guarantees and endorsements	-	-

Notes to the Financial Statements

For the year ended 31 December 2025

Note 27 Measurement of fair values

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

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

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

The different levels have been defined as follows:

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

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

Valuation technique	Asset	Significant	Inter-relationship
Cost to capacity approach	Generator & solar panels	Premium for customs duty, taxes and remote locations costs Ancillary property and equipment Depreciation rate applied.	The estimated fair value would increase (decrease) if: - Premium for customs duty, taxes and remote locations rate were higher (lower); and - Ancillary property and equipment were lower (higher). - Depreciation rates were lower (higher).
Indexation approach	Distribution assets and hydro	Depreciation rate applied.	The estimated fair value would increase (decrease) if: - Depreciation rates were lower (higher).

Note 28 Capital management

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

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

Notes to the Financial Statements

For the year ended 31 December 2025

Note 29 World Bank Financing

a) *Financial support received*

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

b) *Grants*

SIEA has received total grants of USD16,111,086 from these programmes since their commencement (2024: USD14,071,755). The 2025 balance consists of the following funds, IDA H9130 - USD1,948,784, IDA H4150 - USD3,834,859, TF A2923 - USD2,193,565, IDA 3270 - USD4,255,858.75, TF A7425 - USD2,941,551.72 and TF A718 - USD936,467.37.

c) *Credit funds*

SIEA has received total credits of USD312,120 from these programmes since their commencement (2024: USD6,238,061). The 2025 balance consists of the following fund, IDA 62500 - USD312,120. The credit funds are interest-bearing loans that are required to be repaid and are shown in the current and non-current liabilities as they are drawn down.

d) *Use of the proceeds*

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

A summary of the transactions that took place during the year is as follows:	2025 USD	2024 USD
DESIGNATED ACCOUNT		
Balance at 1 January	323,833	615,565
Receipts	1,879	346,504
Expenditure	(161,240)	(638,236)
BALANCE AT 31 DECEMBER	**164,472**	**323,833**
GRANTS		
IDA D3270	131,930	335,976
TF A7425	1,907,401	580,807
TF A7418	-	102,256
BALANCE AT 31 DECEMBER	**2,039,331**	**1,019,039**
CREDIT FUNDS IDA 53790		
Balance at 1 January	1,448,728	1,781,643
Principal repayments	(332,915)	(332,915)
BALANCE AT 31 DECEMBER	**1,115,813**	**1,448,728**

Notes to the Financial Statements

For the year ended 31 December 2025

Note 29 World Bank Financing (continued)

e) Project financial report	2025 USD	2024 USD	Cumulative (PTD) USD
BALANCE AT 1 JANUARY	**323,833**	**615,565**	**-**
SOURCE OF FUNDS			
IDA H4150	-	-	3,834,859
IDA H9130	-	-	1,948,784
TF A2923	-	-	2,193,565
IDA 62500	-	312,120	312,120
IDA D3270	131,930	335,976	4,255,859
TF A7425	1,907,401	580,807	2,941,552
TF A7418	-	102,256	936,467
IDA 53790	-	-	5,925,941
Bank refund	1,842	-	1,842
TOTAL SOURCE OF FUNDS	**2,041,173**	**1,331,159**	**22,350,989**
TOTAL AVAILABLE	**2,365,006**	**1,946,724**	**22,350,989**
USE OF FUNDS			
Component A	1,907,401	574,035	8,104,398
Component B	-	-	2,641,072
Component C	152,513	1,042,048	10,603,160
Component D	140,507	6,722	815,630
Component E	113	86	16,473
TOTAL USES OF FUNDS	**2,200,534**	**1,622,891**	**22,180,733**
NET DIFFERENCE	**164,472**	**323,833**	**170,256**
Exchange loss	-	-	5,784
CLOSING BALANCE	**164,472**	**323,833**	**164,472**

Note 30 Subsequent events

Late February 2026, escalating geopolitical tensions in the Middle East have contributed to increased volatility and upward pressure on global oil prices, with ongoing risk of supply disruption. As a price taker, SIEA remains exposed to fluctuations in fuel prices and supply interruptions. Sustained increases in fuel costs are expected to place upward pressure on electricity tariffs, which may affect customer affordability, consumption patterns, and revenue performance.

Management has implemented mitigation measures, including maintaining adequate fuel stock levels, discussing with alternative suppliers to diversify supply, and closely monitoring logistics and shipment schedules. SIEA is also working with the Solomon Islands Government (SIG) to explore relief measures, including Goods and Sales tax relief on fuel, to mitigate the impact of rising fuel costs and support tariff stability.