Electricity Distribution And Supply Authority
(EDSA)

Financial statements
for the year ended 31 December 2015

This report contain 42 pages
N002/ans/emj

Contents

General Information

Board - Sept 2014 to July 2016

NAME	**TITLE**	**Date of Appointment**	**Date of Removal**
Mr. Sanusi S. Deen	CHAIRMAN	**Sept 2014**	**July 2016**
Ing. Alhaji M.B.A. Timbo	DIRECTOR		
Mr. Ibrahim Kabia	DIRECTOR		
Mrs. Zainab Buya-Kamara	DIRECTOR		
Mr. Ivorymae H. Macauley	DIRECTOR		
Mr. John Sumailah	DIRECTOR		
Mr. Albert O.U. Collier	DIRECTOR		
Interim Board Aug 2016 to Nov 2016			
Mr. Idrissa Alooma Kamara	CHAIRMAN	**Aug 2016**	**Nov 2016**
Mr. Bokarie Kakay	DIRECTOR		
Mr. Alpha Muctarr Jalloh	DIRECTOR		
Mr. Alhaji M.B.A. Timbo	DIRECTOR		
Ms. Gertrude S. Morgan	DIRECTOR		
Mr. Mohamed Abu Sesay	DIRECTOR		
Board - Nov 2016 to Present			
Prof. Kabinneh Koroma	CHAIRMAN	**Nov 2016**	**To Present**
Mr. Edward Komeh	DIRECTOR		
Mr. Alhaji M.B.A. Timbo	DIRECTOR		
Ing. Saffa Issa	DIRECTOR		
Mr. Aamdu Dumbuya	DIRECTOR		
Mr. Sidi Bakarr	DIRECTOR		
Mr. Arne B. Johansen	DIRECTOR		
Mrs. Zainab Buya-Kamara	DIRECTOR		
Mr. John Sumailah	DIRECTOR		

Registered Office:	36 Siaka Stevens Street, Freetown.
Bankers:	Sierra Leone Commercial Bank Limited Rokel Commercial Bank (Sierra Leone) Limited First International Bank (SL) Ltd. Standard Chartered Bank Sierra Leone Limited Union Trust Bank (SL) Limited Access Bank (SL) Limited Guaranty Trust Bank (SL) Limited
Legal Adviser & Corporate Secretary	Josephine Hinga 36 Siaka Stevens Street, Freetown.
Auditors:	KPMG Chartered Accounts KPMG House 37 Siaka Stevens Street, Freetown. Sierra Leone

Report of the directors

The directors present their report and audited financial statements for the year ended 31 December 2015.

Establishment of Electricity Distribution and Supply Authority

The National Electricity Act 2011 established the Electricity Distribution and Supply Authority to continue with the function of distribution and supply of electricity in Sierra Leone. The Electricity Distribution and Supply Authority actually commenced operation on 1 January 2015, utilizing some of the existing resources of the National Power Authority which effectively ceased operation on 31 December 2014.

Comparative figures

As this is the first set of financial statements of the Electricity Distribution and Supply Authority, comparative figures are not disclosed in these financial statements.

Principal activity

The principal activity of the Authority is the distribution of electricity services to consumers.

Directors' responsibility statement

The Authority's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Electricity Act 2011.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at anytime the financial position of the Authority and to enable them to ensure the financial statements comply with International Financial Reporting Standards and the requirements of the Electricity Act 2011. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the directors *(continued)*

Directors' responsibility statement (continued)

The directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in these financial statements.

The Board has ultimate responsibility for the system of internal controls and review of its operations.

The internal controls should include a risk based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that the assets are safeguarded and that the transactions are executed and recorded in accordance with General Accepted Business Practices and the Authority's policies and procedures.

There was a complete absence of effective internal controls throughout the year under review. Those that were taken over following the unbundling of the former institution completely broke down leading to significant manual intervention into the accounting and reporting system resulting to manual adjustment of some Le178.70 billion in the accounts as a whole.

The board has taken steps to rectify the situation by the recruitment of a substantive Financial Controller and the engagement of management contractors for capacity building and the provision of continuous training generally for personnel of the Authority's management system.

The directors have made an assessment of the Authority's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Directors

The names of the directors are set out on page 1 of these financial statements.

The present directors having been appointed under section 27, sub-section (1) of the Electricity Act, 2011 will continue in office for three years and shall be eligible for re-appointment for not more than one term.

Results for the year

The results for the year are shown in the attached financial statements.

Property and equipment

Details of the Authority's property and equipment are shown in note 12 to these financial statements.

Auditors

The auditors, Messrs KPMG were appointed under the Public Budgeting and Accounting Act. The Auditor General will appoint auditors for the ensuing year.

Report of the directors *(continued)*

Approval of the financial statements

The financial statements of the Authority as indicated above were approved by the Board of Directors on 30th March 2017 and were signed on their behalf by:

By Order of the Board

Chairman, Board of Directors

Director

Secretary

Director General

KPMG

KPMG Sierra Leone
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Freetown
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Internet: www.kpmg.com

Independent auditor's report
to the members of the Electricity Distribution and Supply Authority

We were engaged to audit the accompanying financial statements of the Electricity Distribution and Supply Authority, which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and the cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 42.

Directors' responsibility for the financial statements

The Authority's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Electricity Act 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Below are details of issues giving rise to the disclaimer of opinion:

- *Property, plant and equipments*

  We have not obtained sufficient appropriate audit evidence in respect of property, plant and equipment amounting to Le 25.12 billion. The stated amount include Le22.97 billion relating to assets taken over from the former National Power Authority. No listing of these assets were provided for our review. During the year, the Authority shared some building properties with the Electricity Generation and Transmission Company. The shared value of such building properties are not included in these financial statements as they are omitted from the books of the Authority. No valid explanation was given for this significant omission. As the Authority did not recognize the fair value of the usage of these properties in the financial statements, the completeness and accuracy of property, plant and equipment and related depreciation charges are also significantly misstated.

  Also an amount of 4 billion leones invested in fixed deposit and treasury bills was wrongly accounted for as part of prepaid meters and general equipment.

Independent auditor's report
to the members of the Electricity Distribution and Supply Authority

Basis for disclaimer of opinion (continued)

- *Inventories*

  We have not obtained sufficient appropriate audit evidence in respect of inventories amounting to Le13.44 billion included in these financial statements. We were appointed as auditors of the Authority on 7 September 2016 and thus did not observe the counting of physical inventories at the end of the year 31 December 2015. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 December 2015 which are stated in the statement of financial position at Le 13.44 billion. The Authority could not provide us with an inventory listing and the related amount.

  As a result of this matter, we were unable to determine what adjustments might have been found necessary in respect of recorded or unrecorded inventories and the elements representing usage that contributes to the direct distribution cost in the statement of profit or loss and other comprehensive income.

- *Trade and other receivables*

  We have not obtained sufficient appropriate audit evidence in respect of trade and other receivables amounting to Le57.41billion included in these financial statements. The trade debtors listing was having a amount of Le79.81 billion giving rise to a difference of Le22.69 billion when compared to that of the trial balance which amounted to Le57.12 billion. The Authority did not assess the recoverability of trade receivables amounting to Le57.12 billion. The accuracy of unusual credit balances amounting to Le 799.25 million included in trade receivables could also not be ascertained. Staff advance amounting to Le48.34 million included in other receivables could not be ascertained.

- *Cash and cash equivalents*

  One bank balance of Le 82.82 million confirmed by the bank was not accounted for by the Authority. Also, a difference of Le 48.24 million in cash in hand balance between the cash count sheet and the trial balance could not be explained by the Authority.

KPMG

Independent auditor's report
to the members of the Electricity Distribution and Supply Authority

Basis for disclaimer of opinion (continued)

- *Trade and other payables*

We have not obtained sufficient appropriate audit evidence in respect of trade and other payables amounting to Le 4.35 billion included in these financial statements. An Independent Power Producer (US Diversify Waste Power) did not confirm to us the balance owing to/due from them as at 31 December 2015. The Authority had been doing business with this supplier. The creditors listing for local suppliers was having a difference of Le66.28 million when compared to that of the trial balance. The accuracy of unusual debit balances amounting to Le 275.56 million included in other payables could not be ascertained. The Authority was unable to provide the methodology and assumptions used in providing for unearned revenue of Le 3.86 billion included in trade and other payables and as such we were unable to ascertain the accuracy of the stated amount.

- *Revenue*

We have not obtained sufficient appropriate audit evidence in respect of revenues amounting to Le196.72 billion included in these financial statements. The Authority could not provide sufficient appropriate evidence to substantiate prepaid credit sales of Le109.27 billion included in revenues. The Authority could not provide invoices for sales to Aggregators from January to August 2015. This impacts on the completeness of revenue. Also the Authority could not provide sufficient appropriate evidence to substantiate post-paid credit sales of Le 74.32 billion. The Authority could not substantiate income from service charges amounting to Le 13.10 billion included in revenues. The integrity of the use of the Gougi and utility 2000 system for the post-paid sales is questionable, and the overall completeness and accuracy of revenue is in serious doubt.

- *Direct cost*

We have not obtained sufficient appropriate audit evidence in respect of direct cost amounting to Le 2.15 billion included in these financial statements. The Authority could not substantiate the completeness of the amount relating to commission on prepaid sales.

- *Other operating income*

We have not obtained sufficient appropriate audit evidence in respect of other income amounting to Le279.75 million included in these financial statements. The Authority could not substantiate income from recoveries for unlawful use of electricity amounting to Le279.75 million.

KPMG

Independent auditor's report
to the members of the Electricity Distribution and Supply Authority

Basis for disclaimer of opinion (continued)

- *Administrative expenses*

  We have not obtained sufficient appropriate audit evidence in respect of administratie expenses amounting to Le33.50 billion included in these financial statements. The Authority could not provide sufficient appropriate evidence to substantiate various transactions recorded as expenses during the year. We noted serveral duplications and wrong posting of expenses during the year. The Authority did not record the appropriate amount relating to levy imposed by the Sierra Leone Water and Electricity Regulatory Commission, which should be 1% of gross sales.

- *Proper books of accounts*

  The Authority did not maintain proper books of account during the year ended 31 December 2015. We noted several wrong entries, duplication of entries and total omission of transactions from the books of the Authority. The Authority did not have competent resources for effective oversight responsibility and an effective operating function in the financial recording and reporting process.

  In summary in respect alone of the matters mentioned in the preceeding paragraphs, proper book of accounts have not been kept by the Authority for the following core captions and their related processes as stated above:

  - Property, plant and equipment;
  - Inventories;
  - Revenue;
  - Trade and other receivables;
  - Administrative expenses;
  - Trade and other payables and;
  - Direct costs.

There were no other procedures we could carry out to ensure the completeness, accuracy or otherwise of the figures disclosed in these financial statements.

Disclaimer of opinion

Because of the significance and possible cumulative effects of the matters described in the basis for disclaimer of opinion paragraphs, we have been unable to and do not express an opinion on these financial statements.

Kpmg

Freetown Chartered Accountants

Date: 30 march 2017

Statement of financial position
As at 31 December

In thousands of Leones	Notes	2015
Assets		
Property, plant and equipment	*12*	24,852,400
Deferred tax asset	*11(c)*	11,059,239
Total non-current assets		35,911,639
Inventories	*13*	13,444,720
Trade and other receivables	*14*	57,408,067
Cash and cash equivalents	*15*	23,090,274
Total cur ent assets		93,943,061
Total assets		129,854,700
Equity		
Contributed capital	*16*	60,982,392
Retained earnings	*17*	(13,340,643)
Total equity		47,641,749
Liabilities		
Grants	*18*	425,429
Employee benefits	*19*	45,855,388
Total non-current liabilities		46,280,817
Trade and other payables	*20*	31,072,703
Income tax liabilities	*11(d)*	4,859,431
Total current liabilities		35,932,134
Total liabilities		82,212,951
Total equity and liabilities		129,854,700

These financial statements were approved by the board of directors on 30th March 2017

....) Directors
)
....)
)
....) Director General

The notes on pages 14 to 42 are an integral part of these financial statement

Statement of profit or loss and other comprehensive income

for the year ended 31 December

In thousands of Leones	Notes	2015
Revenue	*6*	196,723,644
Direct cost	*7*	(136,538,780)
Gross margin		60,184,864
Expenses		
Other operating income	*8*	561,927
Employees benefit provision	*19*	(45,855,388)
Administrative expense	*9*	(33,501,286)
Results from operating activities		(18,609,883)
Finance income	*10(a)*	40,311
Finance cost	*10(b)*	(970,879)
Net finance cost	*10*	(930,568)
Loss before income tax		(19,540,451)
Income tax credit	*11(a)*	6,199,808
Net loss for the year		(13,340,643)
Other comprehensive income, net of income tax		
Fair value reserve:		
Net change in fair value		-
Other comprehensive loss for the year, net of income tax		-
Total comprehensive loss for the year		(13,340,643)

The notes on pages 14 to 42 are an integral part of these financial statements

Statement of profit or loss and other comprehensive income
(continued)
for the year ended 31 December

In thousands of Leones	Note	2015
Loss attributable to:		
Equity holders of the Authority		(13,340,643)
Loss for the year		(13,340,643)
Total comprehensive loss attributable to:		
Equity holders of the Authority		(13,340,643)
Total comprehensive loss for the year		(13,340,643)

The notes on pages 14 to 42 are an integral part of these financial statements

Statement of changes in equity

In thousands of Leones	Contributed capital	Retained earnings	Total
Balance at 1 January 2015	-	-	-
Contributions during the year	60,982,392	-	60,982,392
Total comprehensive loss for the year	-	(13,340,643)	(13,340,643)
Balance at 31 December 2015	60,982,392	(13,340,643)	47,641,749

The notes on pages 14 to 42 are an integral part of these financial statements

Statement of cash flows

In thousands of Leones	Notes	2015
Cash flows from operating activities		
Loss for the year before tax		(19,540,451)
Adjustment for:		
- Depreciation	*12*	267,867
- Provision for end of service benefit	*19*	45,855,388
- Amortization of grant	*8*	(282,179)
Cash flows from operations		26,300,625
Changes in operating assets and liabilities		
Changes in inventory		(13,444,720)
Changes in receivables		(57,408,067)
Changes in payables		31,072,703
Net cash utilized in operating activities		(13,479,459)
Cash flows from investing activities		
Property and equipment taken over/acquired	*12*	(25,120,267)
Net cash used in investing activities		(25,120,267)
Cash flow from financing activities		
Proceed from contributed capital	*16*	60,982,392
Proceed from grants	*18*	707,608
Cash flow from financing activities		61,690,000
Net increasein cash and cash equivalents		23,090,274
Cash and cash equivalents at 31 December		23,090,274

The notes on pages 14 to 42 are an integral part of these financial statements

Notes to the financial statements

1. Reporting entity

The Electricity Distribution and Supply Authority (EDSA) (the "Authority") is a wholly state owned entity established by an act of parliament passed in December 2011 (Electricity Act 2011) and domiciled in Sierra Leone. The address of its registered office Electricity House, 36 Siaka Stevens Street, Freetown. The Authority is primarily involved in the distribution of electricity to the people of Sierra Leone and it is not registered on any stock exchange.

2. Basis of accounting

The financial statements of EDSA have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and the requirements of the National Electricity Act 2011. They were authorized for issue by the Authority's Board of Directors on 30 march 2017.

Details of the Authority's accounting policies, including changes during the year under review are included in note 28.

3. Functional and presentation currency

These financial statements are presented in Leones which is the Authority's functional currency. All amounts presented in Leones have been rounded to the nearest thousand except as otherwise indicated.

4. Use of estimates and judgments

In preparing these financial statements, the Directors have made judgements, estimates and assumptions that affect the application of the Authority's 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. Revisions to estimates are recognised prospectively.

(a) Judgments

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

Notes 6 and 28(a) – Revenue: whether the Authority acts as an agent in the transaction rather than as a principal.

Note 28(j) – Lease: whether an arrangement contains a lease.

Note 28(j) – Lease classification.

Notes to the financial statements *(continued)*

4. Use of estimates and judgments (continued)

(b) Assumption and estimation uncertainties

Information about assumptions and estimated uncertainties that have significant risk of resulting in a material adjustment for the year ended 31 December 2015 are included in the following notes:

Note 28(f)	Impairment test: Key assumptions underlying recoverable amounts including the recoverability of development costs.
Note 28(g)	Measurement of defined benefit obligations: Key actuarial assumptions.
Note 28(h)	Recognition and measurement of provisions and contingencies: Key assumptions about the likelihood and magnitude of an outflow of resources.
Note 28(o)	Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.

(c) Measurement of fair values

A number of the Authority's accounting policies and disclosure require the measurement of fair values for both financial and non-financial asset and liabilities.

The Authority has an established control framework with respect to the measurement of fair values which enables the Financial Controller to be constantly updated on fair values.

This established control framework assists the Authority to regularly review significant unobservable inputs and valuation adjustments. If third party information such as primary services are used to measure fair values, an assessment is then made of the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuation should be classified.

Significant valuation issues are then reported to management. When measuring the fair value of an asset or a liability, the Authority uses market observable data as far as possible. Fair values are recognised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Notes to the financial statements *(continued)*

4. Use of estimates and judgments (continued)

(c) Measurement of fair values *(continued)*

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted price included in level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (as derived from prices)
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Authority recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 28(c) financial instruments.

5. Operating segments

See accounting policies on note 28(k)

The Authority does not operate on a segmented basis and so does not consider operating segment reporting appropriate at the moment.

6. Revenue

See accounting policies on note 28(a)

In thousands of Leones	2015
Pre-paid electricity sales	109,266,365
Post-paid electricity sales	74,361,051
Service charges	13,096,228
	196,723,644

Notes to the financial statements *(continued)*

7. Direct cost

See accounting policies on note 28(m)

In thousands of Leones	2015
Electricity purchase	119,970,689
Distribution cost	14,411,796
Commission on sales	2,149,012
Depreciation charge	7,283
	136,538,780

8. Other operating income

In thousands of Leones	2015
Amortization of grant	282,179
Sundry income	279,748
	561,927

Sundry income relates to recoveries made from consumers for illegal connections and use of electricity.

9. Administrative expenses

See accounting policies on note 28(l)

In thousands of Leones	2015
Staff cost	21,086,729
Vehicle running	2,616,279
Transportation	1,316,547
Repairs and maintenance	1,168,157
IT expenses	1,034,186
Training expense	492,629
License and charges	809,024
Printing & stationery	754,733
General expenses	738,651
Communications	582,068
Directors expenses	534,831
Professional fees	441,625
Depreciation charges	270,084
Health and safety	358,693
Publicity and advertisement	277,350
Survey	239,983
Rent	206,722
Insurance	147,203
Utilities	113,532
Others	312,260
	33,501,286

Notes to the financial statements *(continued)*

10. Net finance cost

See accounting policies on note 28l(i)

In thousands of Leones	2015
(a) Finance income	
Interest income	40,311
	40,311
(b) Finance cost	
Bank charges	771,718
Interest charges	199,161
	970,879
Net finance cost	(930,568)

The interest charges relate to interest paid on overdrawn balance with Sierra Leone Commercial Bank.

11. Income tax

See accounting policies on note 28(o)

The Authority is subject to income tax on income derived from its operations in Sierra Leone at a rate provided for in accordance with the Income Tax Act 2000 of Sierra Leone from time to time, currently 30%.

(a) Income tax credit

In thousands of Leones	2015
Current year at 30%	4,859,431
Deferred tax credit	(11,059,239)
Total credit to Income statement	(6,199,808)

(b) Effective tax reconciliation

In thousands of Leones	2015
Loss before income tax	(19,540,451)
Tax using the country tax rate of 30%	(5,862,135)
Tax impact of permanent differences:	
Tax incentives	(337,673)
Total income tax credit in income statement	(6,199,808)

Notes to the financial statements *(continued)*

11. Income taxes (continued)

(c) Deferred tax account

In thousands of Leones	2015
Credit for the year	(11,059,239)
Balance at 31 December	(11,059,239)

(d) Current tax account

In thousands of Leones	2015
Charge for the year	4,859,431
Income tax paid	-
Balance at 31 December	4,859,431

(e) Deferred tax asset and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of Leones	2015		
	Asset	Liability	Net
Property, plant and equipment	-	2,697,377	2,697,377
Provision for employee benefits	(13,756,616)	-	(13,756,616)
	(13,756,616)	2,697,377	(11,059,239)

(f) Movement in temporary differences during the year

2015

In thousands of Leones	Opening balance	Recognised in profit or loss	Unrecognised in equity	Closing balance
Property, plant and equipment	-	2,697,377	-	2,697,377
Provision for employee benefits	-	(13,756,616)	-	(13,756,616)
Net tax asset	-	(9,544,145)	-	(11,059,239)

Notes to the financial statements *(continued)*

12. Property, plant and equipment

See accounting policies on note 28(d)

In thousand of Leones

	Land and building	Distribution netwook	Motor vehicles	Office equipment	Furniture and fittings	Work in progress	Total
Cost							
Additions during the year	2,000,977	21,690,984	379,470	441,084	544,106	63,646	25,120,267
Balance at 31 December 2015	2,000,977	21,690,984	379,470	441,084	544,106	63,646	25,120,267
Accumulated Depreciation							
Charge for the year	7,115	7,283	50,389	159,696	43,384	-	267,867
Balance at 31 December 2015	7,115	7,283	50,389	159,696	43,384	-	267,867
Net book value							
Balance at 31 December 2015	1,993,862	21,683,701	329,081	281,388	500,722	63,646	24,852,400

Notes to the financial statements *(continued)*

13. Inventories

See accounting policies on note 28(e)

In thousands of Leones	2015
Distribution materials	7,600,423
Meter stock	5,684,125
Others	160,172
	13,444,720

Other inventory is made up of fuel, stationery and other consumable inventories. In January 2016 management noted that a fire outbreak at the Electricity House, destroyed a large part of meter stock, valued at Le 2.70 billion.

14. Trade and other receivables

See accounting policies on note 28(c)

In thousands of Leones	2015
Government and government institutions	23,648,743
Domestic customers	32,817,051
Staff	654,276
Gross trade receivables	57,120,070
Provision for bad debt	-
Net trade receivables	57,120,070
Other receivables	287,997
	57,408,067

15. Cash and cash equivalents

See accounting policies on note 28(c)

In thousands of Leones	2015
Bank balance	22,714,621
Cash balance	375,653
	23,090,274

16. Contributed capital

See accounting policies on note 28(c)

In thousands of Leones	2015
Contribution during the year	60,982,392
	60,982,392

The above related to assets apportioned to the Authority by the Unbundling Committee set up to distribute the assets of the former National Power Authority.

Notes to the financial statements *(continued)*

17. Retained earnings

In thousands of Leones	2015
Profit for the year	(19,540,451)
	(19,540,451)

18. Grants

See accounting policies on note 28(n)

In thousands of Leones	2015
Grant from donor	707,608
Amortized during the year	(282,179)
	425,429

The grant was received from The Economic Community of West African States (ECOWAS) in the form of bank transfer through the West African Power Pool (WAPP) for capacity building support to the Authority.

19. Employees benefit

See accounting policies on note 28(g)

In thousands of Leones	2015
Included in Profit or loss:	
Current service cost	-
Past service cost	45,855,388
Interest cost	-
	45,855,388
Included in the OCI:	
Remeasurement loss/(gain)	
Actual loss/(Gain) arising from:	
Financial assumptions	-
Experience adjustments	-
	-
Benefit paid	-
Balance at 31 December	45,855,388

Notes to the financial statements *(continued)*

19. Employees benefit (continued)

Key valuation assumptions

Summary of economic assumptions

Basis item	31 December 2015
Discount rate	11.00%
Salary inflation	11.00%
Nominal medical inflation gap	-
Effective salary inflation gap	-

Discount rate

Sierra Leone does not have a liquid market on corporate bonds so Government bonds were taken as the basis for discount rate. Furthermore, there were no treasury bonds with duration longer than one year and treasury bonds with one year duration have had yields of 11% during this valuation year. The increase from last year was driven by the increase in the yields on treasury bonds over the period.

Salary inflation

This has been set to allow for a 0% nominal difference between the discount rate and salary inflation assumption. The gap is based on the economic environment at the valuation date and the assumption range used by other Companies in Sierra Leone for similar benefits. The increase in rate is consistent with future inflation expectations.

20. Trade and other payables
See accounting policies on note 28(c)

In thousands of Leones	2015
Electricity Generation and Transmission Company	26,725,270
Other local creditors	362,082
Other payables	3,985,351
	31,072,703

Notes to the financial statements *(continued)*

21. Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk
- operational risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Authority's risk management framework, which is responsible for developing and monitoring the Authority's risk management policies.

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

Credit risk

Credit risk is the risk of financial loss to the Authority if counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Authority's services to consumers. It has policies in place to ensure that services are only made to credit worthy contractors. The Authority has policies that guide the amount of credit exposure to consumers.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

Market risk

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

Notes to the financial statements *(continued)*

21. Financial risk management (continued)

Currency risk

The Authority is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than its functional currency. The currencies in which these transactions are primarily denominated are Euros, United States Dollars and Japanese Yen.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Authority's operations.

The Authority's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Authority's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Authority. This responsibility is supported by the development of overall Authority standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance whether this is effective.

Notes to the financial statements *(continued)*

21. Financial risk management (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain government and donor confidence and to sustain future development of the Authority. There were no changes in the Authority's approach to capital management during the year. The Authority is not subject to externally imposed capital requirements.

22. Related parties

Related party transactions are priced on an arm's length basis.

The nature of the Authority's relationships with the respective related parties is as stated below:

Name	Nature of Relationship
Government of Sierra Leone	Owner of the authority
Ministry of Energy	Sector line ministry
Ministry of Finance and economic planning	Finance policy oversieght ministry
Electricity Generation and Transmission Company	Fellow Subsidiary Company
Sierra Leone Electricity and Water Regulatory Commission	Regulatory body
Board of directors	Charged with governnce

Related parties' transactions and balances

In thousands of Leones	2015
Transactions during the year	
Directors' fees	534,831
Electricity purchase	118,929,576
Electricity sales to government and MDAs	(18,348,746)
License fee	797,877
Balances at the year end	
Trade and other payables	
Electricity Generation and Transmission Company	(26,725,270)
Sierra Leone Electricity and Water Regulatory Commission	-
Trade and other receivables	
Government and MDAs	23,648,743

Notes to the financial statements *(continued)*

23. Capital commitments

As at 31 December 2015, the Authority had no capital commitment.

24. Contingent liabilities

The Authority is defending an action brought by former employees in relation to wrongful dismissals, end of service benefit and other relief, for which the quantum is still unknown.

25. Subsequent events

Events subsequent to the reporting date are reflected only to the extent that they relate directly to the financial statements and their effect is material.

There was no material subsequent event.

26. Basis of measurement

The financial statements have been prepared on the historical basis except as stated elsewhere at fair value.

27. Comparative figures

There were no comparative figures as this is the first set of financial statements.

Notes to the financial statements *(continued)*

28. Significant accounting policies

The accounting policies set out below have been applied in these financial statements and have been consistently applied by the Authority.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

(a) Revenue

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be reliably measured. Revenue is measured net of returns trade discounts and volume rebate.

The timing of the transfer of risk and rewards varies depending on the individual terms of the sales agreement. Revenue from the sale of electricity is measured at the fair value of the consideration received or receivable, which is usually the invoice value of electricity. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For sales of electricity, usually transfer occurs when the electricity is consumed by the customer.

Notes to the financial statements *(continued)*

28. Significant accounting policies (continued)

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Authority at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items are measured based on historical cost in a foreign currency and are not translated.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income (OCI):

- Available-for-sale equity investment (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).
- A financial liability, designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.
- Qualifying cash flow hedges to the extent that the hedges are effective.

(c) Financial instruments

The Authority classifies non-derivative financial assets into the following:

Financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Authority classified non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets and financial liabilities

Recognition and derecognition

The Authority initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provision of the instrument.

The Authority derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Authority is recognised as a separate asset or liability.

Notes to the financial statements *(continued)*

28. Significant accounting policies (continued)

(c) Financial instruments (continued)

The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

(i) Non-derative financial assets - measurement
Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such at initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs - subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Notes to the financial statements *(continued)*

28. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred.

Financial liabilities at fair value through profit or loss are measured at fair value and changes thereon, including any interest expenses are recognised in profit or loss.

Bank overdraft and trade and other payables

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Loans and borrowings

Loans and borrowings are classified as current liabilities unless the Authority has an unconditional right to defer settlement of the liability for at least 12 months after the statements of financial position date. Accrued interest on capital projects is capitalised.

(iii) Contributed capital

Contributed capital are classified as equity. Incremental costs directly attributable to issue of contributed capital are recognised as a deduction from equity, net of any tax effects.

Notes to the financial statements *(continued)*

28. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

If significant parts of an item of property, plant and equipment have different useful lives then they are accounted for as separate items (major components) of property, plant and equipment.

Capital expenditure and incidental expenditure incurred during construction including related overhead expenditure are classified as capital work in progress.

(ii) Disposals

Gains or losses on the 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 are recognised in net profit or loss.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Authority. Ongoing repairs and maintenance are expensed as incurred.

Notes to the financial statements *(continued)*

28. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iv) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Authority will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

Buildings	-	2%
Meter and general equipment	-	25%
Distribution equipment	-	5%
Motor vehicles	-	25%
Office equipment	-	25%
Furniture and fittings	-	25%

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate.

(e) Inventories

Inventories comprise distribution materials, pre-paid meters, fuel, goods in transit and other consumables and are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in bringing them to their existing location and condition.

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

Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

Notes to the financial statements *(continued)*

28. Significant accounting policies (continued)

(f) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired include:

- default or delinquency by a debtor;
- restructuring of an amount due to the Authority on terms that the Authority would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Authority considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortised cost

The Authority considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

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

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

Notes to the financial statements *(continued)*

28. Significant accounting policies (continued)

(f) Impairment (continued)

(i) Non-derivative financial assets (continued)

Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

At each reporting date, the Authority reviews the carrying amounts of its non-financial assets, other than inventories to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit (CGU).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Notes to the financial statements *(continued)*

28. Significant accounting policies (continued)

(f) Impairment (continued)

(ii) Non-financial assets (continued)

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided. A liability is recognised for the amount expected to be paid if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

(ii) Defined contribution plans

The Authority contributes towards a defined contribution plan. The plan is funded through payments to the National Social Security and Insurance Trust (NASSIT). This defined contribution plan is a pension scheme under which the Authority pays fixed contributions into a separate entity. The Authority has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods and has no further payment obligations once the contributions have been paid. The contributions are expensed as an employee benefit expense when due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Authority's obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods discounting that amount and deducting the fair value of any plan assets.

Notes to the financial statements *(continued)*

28. Significant accounting policies (continued)

(g) Employee benefits (continued)

(ii) Defined benefit plans (continued)

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Authority, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurement of the net defined benefit liability which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any excluding interest) are recognised immediately in OCI. The Authority determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net benefit liability (asset) taking into account any changes in the net defined benefit liability (asset) taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefits payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Authority recognises gain and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Authority before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits when it is demonstrably committed, to either, terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The termination benefits are measured according to the number of completed years of employment. If benefits are not expected to be settled wholly within twelve months of the end of the reporting period, then they are discounted.

Notes to the financial statements *(continued)*

28. Significant accounting policies (continued)

(h) Provisions

A provision is recognized if as a result of a past event, the Authority has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Finance income and finance costs

Finance income comprises interest income on funds invested and bank balances. Interest income is recognised as it accrues in profit or loss using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of discount on decommissioning provision and foreign currency losses. All foreign exchange losses and gains are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(k) Operating segments

The Authority operates in only one economic environment – Sierra Leone and does not consider that reporting by business segment will lead to a clearer understanding of the financial statements.

(l) Operating expenses

Operating expenses comprise expenses relating to administrative staff and management, including office expenses, salaries and as well as other indirect costs.

Notes to the financial statements *(continued)*

28. Significant accounting policies (continued)

(m) Direct cost

Direct costs comprise the cost of megawatts purchased during the year. It also includes the distribution cost, commission on pre-paid sales and a share of depreciation of plants and machinery.

(n) Grants

Grant and assistance from the government and other related bodies are reported at fair value when it can reasonably be assumed that the grant will be received and the Authority will meet the conditions of the grant. A grant tied to a non-current asset is amortized against related asset annual depreciation. A grant intended to cover expenses is reported in the statement of profit or loss over the same period of an expense.

(o) Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit for loss.

(ii) Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Notes to the financial statements *(continued)*

28. Significant accounting policies (continued)

(o) Income taxes (continued)

In determining the amount of current and deferred tax the Authority takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Authority believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events.

New information may become available that causes the Authority to change its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statements *(continued)*

29. Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015; however, the Authority has not applied the following new or amended standards in preparing these financial statements. Those which may be relevant to the Authority are set out below:

New or amended standard	Summary of the requirements	Possible impact on financial statements
IFRS 9 Financial Instruments	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Authority is assessing the potential impact on its financial statements resulting from the application of IFRS 9. Given the nature of the Authority's operations, this standard is not expected to have a material impact on the Authority's financial statements.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.	The Authority is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

Notes to the financial statements *(continued)*

29. Standards issued but not yet adopted (continued)

New or amended standard	Summary of the requirements	Possible impact on financial statements
Agriculture: Bearer plants (Amendments to IAS 16 and IAS 41)	These amendments require a bearer plant defined as a living plant to be accounted for as property, plant and equipment and included in the scope of IAS 16, property and equipment instead of IAS 41 Agriculture. The amendments are effective for annual reporting period beginning on or after 1 January 2016 with early adoptions permitted.	None. The Authority does not have any bearer plants.

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

- *IFRS 14 Regulatory Deferral Accounts.*
- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).*
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).*
- *Equity Method in Separate Financial Statements (Amendments to IAS 27).*
- *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*
- *Annual Improvements to IFRS 2012-2014 Cycle-various standards.*
- *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).*
- *Disclosure Initiative (Amendments to IAS 1).*