Tina Hydropower Limited

P.O Box 419
Honiara, Solomon Islands
(677) 25115 / office@tinahydropower.com.sb

TINA HYDROPOWER LIMITED

Annual
Financial Statement Report

August 2021

Tina Hydropower Limited

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1 DIRECTORS' REPORT

In accordance with a resolution of the board of directors, the directors herewith submit the statement of financial position of TINA HYDROPOWER LIMITED (the "THL") as at 31st December 2020 and the related statement of profit and loss, statement of changes in equity and statement of cash flows for the year ended on that date and the report as follows:

Directors

The names and directors in office at the date of this report and at any time during the financial year and up until the date the financial statements were authorized for issue are as follows:

- Mr. Gyu Seok KWAK, Non-Executive Director (appointed 24 February 2021)
- Mr. Yong Hoon CHANG, Non-Executive Director (appointed 31 December 2020)
- Mr. Byoungdong OH, Non-Executive Director (appointed 31 December 2020)
- Mr. Cheul CHANG, Non-Executive Director (appointed 31 December 2020)
- Mr. Oeduk KIM, Non-Executive Director (appointed 22 January 2020)
- Mr. Jin-Kweon LEE, Non-Executive Director (ceased 28 February 2021)
- Mr. Hyungjin PARK, Non-Executive Director (ceased 31 December 2020)
- Mr. Jaeil RYOO, Non-Executive Director (ceased 31 December 2020)
- Mr. Seongyoung HAN, Non-Executive Director (ceased 31 December 2020)
- Mr. Wooseok LEE, Non-Executive Director (ceased 22 January 2020)
- Mr. Hui-Wan KANG, Non-Executive Director (ceased 22 January 2020)

State of affairs

In the opinion of the directors, the accompanying statement of financial position gives a true and fair view of the state of affairs of the Company as at 31st December 2020 and the accompanying statement of profit and loss, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flows of the Company for the year ended.

Trading Results

The net profit for the year after tax amounted to $93,453 (2019: $1,764,485 profit).

Dividends

There were no dividends declared or paid to the shareholders during the year (2019: Nil).

Principal activity

The principal activity of the Company during the course of the financial year was the development and financing of the Tina River Hydropower Development Project (TRHDP) for the design, construction and operation of the TRHDP project. There were no significant changes in the nature of this activity during the year.

There have been no changes during the year under review in either the nature of the Company's business or in the classes of business in which the Company has an interest.

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Dated at Honiara, Solomon Islands this 2nd day of September, 2021.

Signed

Chang

Yong Hoon Chang
Chief Executive Officer / Director
TINA HYDROPOWER LIMITED

Deloitte Touche Tohmatsu

Level 9, Deloitte Haus
MacGregor Street
Port Moresby
PO Box 1275 Port Moresby
National Capital District
Papua New Guinea

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Independent Auditor's Report to the Members of Tina Hydropower Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tina Hydropower Limited (the "Company"), which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration of directors.

In our opinion the accompanying financial statements present fairly, in all material respects, the Company's financial position as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies disclosed in note 3 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Companies Act 2009 and the accounting policies disclosed in note 3 to the Financial Statements and for such internal control as Directors determine is necessary to enable the preparation and fair presentation of the financial statements and is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Directors are responsible for assessing the Company'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 Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Deloitte.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing 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 this financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Director'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management and Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

- The final report for Tina Hyrdopower Limited is in accordance with the *Companies Act 2009*. Proper accounting records have been kept by the company as far as it appears from our examination of those records.
- During the year ended 31 December 2020, we did not provide any other services to Tina Hydropower Ltd.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Benjamin Lee
Partner
Chartered Accountant

Port Moresby, 2nd September 2021

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3 STATEMENT OF FINANCIAL POSITION

	Note	2020 USD	2019 USD
Current assets			
Cash on hand and at bank	4	1,614,561	2,621,237
Prepayments	5	2,199,265	360,521
Bond		13,673	16,320
Other receivables		-	6,400
Total current assets		3,827,499	3,004,478
Non-Current assets			
Property, plant and equipment	6	62,012	77,628
Right-of-Use Asset	7	1,299,911	1,050,919
Advance payment	3.2.2	3,750,000	3,750,000
Service Concession Receivables	9	7,476,081	4,380,824
Total non-current assets		12,588,004	9,259,371
Total assets		16,415,503	12,263,849
Current liabilities			
Accounts payable	10	388,726	179,304
Current lease liability	8	62,563	63,610
Total current liabilities		451,289	242,914
Non-Current liabilities			
Government Subsidy	11	9,394,647	5,816,578
Non-current lease liability	8	1,262,477	990,720
Total non-current liabilities		10,657,124	6,807,298
Total liabilities		11,108,413	7,050,212
NET ASSETS		5,307,090	5,213,637
Share capital reserves			
Issued capital	10	5,087,540	5,087,540
Retained earnings		219,550	126,097
TOTAL SHARE CAPITAL AND RESERVES		5,307,090	5,213,637

Chang

Yong Hoon Chang
CEO / Director

Tina Hydropower Limited

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4 STATEMENT OF PROFIT AND LOSS

	Note	2020 USD	2019 USD
Income (A)			
Service Concession revenue		3,095,257	4,380,824
Financial Asset Interest Income – IFRS 16		-	16,756
Exchange gain		3,840	2,675
Total income		3,099,097	4,400,255
Expenses (B)			
Owner's Engineer Service Fee		651,885	-
Legal Advisory Fee		413,747	259,763
Connection Studies Fee		25,000	-
Financial Advisory Fee	13	16,500	166,625
Accounting Advisory Fee	13	11,014	16,572
Audit Service Fee	13	9,650	13,400
Technical Advisory Fee	13	-	84,748
Insurance Premium	13	625,545	107,392
Development Cost	13	-	600,000
Financing Mandate Fee	13	-	300,000
Development Permit Fee	13	-	132,000
ESMP(P-3 SECP) Draft Fee		-	34,000
Wages & Salaries		796,098	669,175
Depreciation		151,210	52,954
Lease Interest expense		134,146	14,918
Administration Cost	13	105,987	73,730
Travel and Entertainment Cost	13	55,591	73,625
Repairs and Maintenance		6,535	36,049
Bank Charges		2,736	819
Government Subsidy – Amortisation		-	-
Total expenses		3,005,644	2,635,770
Operating profit (C=A-B)		93,453	1,764,485
Income tax expense (D)		-	-
Net profit after income tax (E=D-C)		**93,453**	**1,764,485**

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5 STATEMENT OF CHANGES IN EQUITY

	Share Capital USD	Retained earnings USD	Total Equity USD
Balance as at 31 December 2019	5,087,540	126,097	5,213,637
Total Comprehensive income for the year			
Profit for the year	-	93,453	93,453
Foreign currency translation differences	-	-	-
Total comprehensive income for the year	5,087,540	219,550	5,307,090
Balance as at 31 December 2020	**5,087,540**	**219,550**	**5,307,090**

6 STATEMENT OF CASH FLOWS

	Note	2020 USD	2019 USD
Cash flows from operating activities			
Cash receipt from customers		-	-
Cash payments to suppliers and employees		(4,581,187)	(4,441,134)
Cash generated from operations		(4,581,187)	(4,441,134)
Net cash flows from / (used in) operating activities		(4,581,187)	(4,441,134)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(91,697)
Net cash flows from / (used in) investing activities		-	(91,697)
Cash flows from financing activities			
Proceeds from issues of shares		-	3,371,768
Proceeds from grants		3,578,069	2,066,578
Net cash flows from / (used in) financing activities		3,578,069	5,438,346
Net increase / (decrease) in cash and cash equivalents		(1,003,118)	905,515
Cash and cash equivalents at the beginning of the fiscal year		**2,621,237**	**1,715,722**
Foreign Currency Translation Difference		(3,558)	-
Cash and cash equivalents at the end of the fiscal year		**1,614,561**	**2,621,237**

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7 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 Reporting Entity

TINA HYDROPOWER LIMITED is a company in Solomon Islands. The address of the company's registered office is P.O Box 419, Honiara, Solomon Islands.

2 Adoption of new and revised standards

2.1 New and amended IFRS Standards that are effective for the current year

2.1.1 Impact of the initial application of *Covid-19-Related Rent Concessions* Amendment to IFRS 16

In May 2020, the IASB issued ***Covid-19-Related Rent Concessions (Amendment to IFRS 16)*** that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lease that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduces lease payments that extend beyond 30 June 2021); and
(c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has no impact on applying the amendment to IFRS (as issued by the IASB in May 2020) in advance of its effective date. As a result, the Company has recognized $1,299,911 in right-of-use assets, and $1,325,040 lease liabilities. During 2020, the Company reported $132,036 in depreciation on right of use assets and $134,146 in interest charges on lease liabilities. There has been no related impact on retained earnings as all lease agreement were entered into during the current year.

2.1.2 Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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(a) Amendments to References to the Conceptual Framework in IFRS Standards

The Company has adopted the amendments included in *Amendments to References to the Conceptual Framework in IFRS Standards* for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new *Framework*. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the *IASB Framework* of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

(b) Amendments to IFRS 3 Definition of a business

The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

(c) Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

2.2 New and revised IFRSs in issue but not yet effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but not yet effective:

IFRS 17	*Insurance Contracts*
IFRS 10 and IAS 28 (amendments)	*Sole or Contribution of Assets between an investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities a Current or Non-current*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment – Proceeds before intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020 Cycle	*Amendments to IFRS 1 First-time Adoption of international Financial Reporting Standards, IFRS 9 Financial instruments, IFRS 16 Leases, and IAS 41 Agriculture*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

2.2.1 IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is

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simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

2.2.2 Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

2.2.3 Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition

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of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

2.2.4 Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

2.2.5 Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

2.2.6 Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

2.2.7 Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

(a) IFRS 1 *First-time Adoption of International Financial Reporting Standards*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A

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similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

(b) IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

(c) IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

(d) IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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3 Significant accounting policies

3.1 Basis of accounting

The financial statements have been prepared in accordance with the requirements of the Solomon Islands Company Act 2009 and the applicable International Financial Reporting Standards (IFRS) in Solomon Islands.

The financial statements have been prepared on a historical cost conversion basis and do not take into account changing money value or except where stated.

The financial statements are presented in United States dollars, which is the Company's functional currency. All financial information has been rounded to the nearest dollar.

3.2 Revenue recognition

The Company currently recognizes revenue from following major sources:

- Concessional Finance Parties' grants (through the Government of Solomon Islands)

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with the Government of Solomon (SIG) and its Concessional Finance Parties (CPFs).

3.2.1 CFP's grants through SIG

The Company is involved in the development and financing of the TINA RIVER HYDROPOWER DEVELOPMENT PROJECT (TRHDP), in particular, the design, construction and operation of the hydropower plant.

CPFs' grants are not recognized until there is a reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

CFPs' grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognized as expenses the related costs for which the grants are intended to compensate once operation is started.

CFPs' grants that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they became receivable.

As part of US$201,259,000 Facility Agreement entered into with the SIG, the Company receives CFPs' grants from the CFPs through the SIG in order to cover engineering, procurement and construction (EPC) costs as well as non-EPC costs relating to the TRHDP. Total grants, covering EPC and non-EPC costs, payable to the SIG as at 31 December 2020 is $9,394,647.

	Committed	Disbursed	EPC costs	N-EPC costs
APIP grants*	$10,000,000	$3,750,000	$3,750,000	-
GCF grants*	$16,000,000	-	-	
IDA grants	$7,355,000	$5,644,647	-	$5,644,647

ADB grants	$12,000,000	-	-	
GCF loans	$70,000,000	-	-	
IDA loans	$21,304,000	-	-	
ADB loans	$18,000,000	-	-	
EDCF loans	$31,600,000	-	-	
ADFD loans	$15,000,000	-	-	
Total	$201,259,000	$9,394,647	$3,750,000	$5,644,647

* only for Access Road

3.2.2 Advance payments to contractors

The portion of the CFPs' grants, i.e. received for EPC costs, has been paid as a guarantee to Hyundai Engineering Co., LTD (the EPC Contractor) for the construction of the Access Roads. This advance payments amounts to $3,750,000 as 31 December 2020 and is recoverable over the course of construction.

3.2.3 Leases (the Company as lessee)

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease liability with respect to all lease arrangements in which it is the lease.

The lease liability is initially measured at the present value of the lease agreements that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate (i.e. the lending rate of the Central Bank of Solomon Islands as of the end of each reporting period). The rate is reviewed at the end of each reporting period. The lease liability is presented as a separate line in the statement of financial position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line int eh statement of financial position.

3.2.4 Financial instruments

(a) Non-derivative financial assets

Cash and cash equivalents comprises cash on hand and cash at bank. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(b) Non-derivative financial labilities

The Company initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company recognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company's only non-derivative financial liabilities is trade and other repayable. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Trade and other payables are stated at cost. A provision is recognized in the statement of financial position when the company has legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

3.2.5 Ordinary shares

Ordinary shares are classified as equity. Incremental cots directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effect.

3.2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the lease term (if shorter) as follows:

Category	Useful life
Motor vehicle	5 years
Office equipment	5 years
Furniture and fittings	5 years
Computer	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These included in the Statement of Comprehensive Income.

4 Cash and cash equivalents

	2020	2019
	USD	USD
Cash at bank	1,614,331	2,620,890
Cash on hand	230	347
Cash on hand and at bank	**1,614,561**	**2,621,237**

The above figure reconciles to the amount of cash shown in the statement of cash flows at the end of the financial year as follows.

	2020	2019
	USD	USD
Balance as above	1,614,561	2,621,237
Balance as per statement of cash flow	**1,614,561**	**2,621,237**

5 Prepaid Insurance

	CAR[1]	MIGA[2]	Vehicle[3]	Workers[4]	Other	Total
	USD	USD	USD	USD	USD	USD
At 31 Dec 2020						
Opening amount	359,449	-	1,072	-	-	360,521
Adjustments[5]	-	-	59	-	-	59
Additions	2,362,997	83,331	2,706	5,887	9,284	2,464,205
Amortization	(613,064)	(3,822)	(3,648)	(4,986)	-	(625,520)
Ending balance	2,109,382	79,509	189	901	9,284	2,199,265
At 31 Dec 2019						
Opening amount	-	-	-	-	-	-
Additions	381,841	-	2,681	-	-	384,522
Amortization	(22,392)	-	(1,609)	-	-	(24,000)
Closing amount	359,449	-	1,072	-	-	360,521

1. Construction Insurance Premium (12/December/2019 to 01/July/2024)
2. MIGA Insurance Premium (31/January/2020 to 30/January/2040)
3. Vehicle Insurance Premium (to 18/January/2021)
4. Workers' Compensation (25/February/2020 to 25/February/2021)
5. Variance due to the change in foreign exchange (0.1200 -> 0.1266)

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6 Property, plant and equipment

	Vehicles	Furniture	Equipment	Computer	Total
	USD	USD	USD	USD	USD
At 31 Dec 2020	52,083	18,081	9,910	15,797	95,871
Acc. Depreciation	(18,530)	(6,231)	(3,042)	(6,056)	(33,859)
Net book amount	33,553	11,850	6,869	9,741	62,012
Year ended 2020					
Opening amount	43,969	15,466	8,851	12,901	81,187
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation	(10,417)	(3,616)	(1,982)	(3,160)	(19,175)
Closing amount	33,553	11,850	6,869	9,741	62,012

7 Right-of-use assets (RoUA)

	2020	2019
	USD	USD
RoUA – Start	1,050,920	-
Adjustment	217,226	-
New RoUA - Start	1,268,146	-
Additions & others	205,321	1,089,805
Accumulated depreciation for the year	(173,556)	(38,885)
RoUA at the end of the year	**1,299,911**	**1,050,920**

8 Lease Liability

	2020	2019
	USD	USD
Lease Liability - Start	1,054,330	-
Adjustment	175,809	-
New Lease Liability - Start	1,230,139	-
Additions & others	205,321	1,089,805
Interests for the year	134,146	14,918
Lease payments for the year	(244,566)	(50,393)
Lease Liability at the end of the year	**1,325,040**	**1,054,330**
Current lease liability	62,563	63,610
Non-current lease liability	1,262,477	990,720
Total lease liability the end of the year	**1,325,040**	**1,054,330**

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9 Service Concession Revenue

	2020	2019
	USD	USD
Total Project Cost	210,427,000	210,427,000
Actual costs for the financial year	3,005,644	4,253,991
Percentage of completion for the year	1.43%	2.02%
Total return on equity during construction	6,273,890	6,273,890
Percentage of completion for the year	1.43%	2.02%
Shareholders' return for the year	89,613	126,833
Actual Cost for the financial year	3,005,644	4,253,991
Shareholders' return for the year	89,613	126,833
Service Concession Revenue	**3,095,257**	**4,380,824**
Retained Service Concession Receivable – Start	4,380,824	-
Retained Service Concession Receivable - End	**7,476,081**	**4,380,824**

10 Trade and other payables

	2020	2019
	USD	USD
Trade creditors	-	177,042
Accruals	385,167	-
Payroll tax liabilities	1,551	1,295
NPF contribution liabilities	1,347	917
HCC basic rate liabilities	661	49
Total at 31 Dec 2020	**388,726**	**179,304**

11 Government Subsidy

	2020	2019
	USD	USD
Government subsidy at the beginning of the year	5,816,578	-
APIP grants	-	3,750,000
IDA grants	3,578,069	2,066,578
Total at the end of the year	**9,394,647**	**5,816,578**

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12 Share capital

	2020	2019
	USD	USD
Korea Water Resources Corporation	4,070,032	4,070,032
Hyundai Engineering Co., LTD	1,017,508	1,017,508
Total at the end of the year	**5,087,540**	**5,087,540**

13 Expenses

The amounts of accounts in 2019 is required to re-classed to clarify the purpose of each expense as below:

	2020	2019 (New)	2019
	USD	USD	USD
Owner's Engineer Service Fee	651,885	-	-
Bank charges	2,736	819	819
Technical advisory fee	-	84,748	117,748
Financial advisory fee	16,500	166,625	55,000
Legal advisory fee	413,747	259,763	292,763
Accounting and tax advisory fee	11,014	16,572	45,597
(new) Audit Service Fee	9,650	13,400	-
(new) Insurance Premium	625,545	107,392	-
(new) Development Cost	-	600,000	-
Financing mandate fee	-	300,000	300,000
(new) Development Permit Fee	-	132,000	-
(new) ESMP (P-3) draft cost	-	34,000	-
Interest Charges (IFRS 16)	134,146	14,918	14,918
Depreciation (including IFRS 16)	151,210	52,954	38,885
Other professional fees	-	-	808,210
Owner's Engineer Service Fee	25,000	-	-
Administration	105,987	73,730	75,553
Wages & salaries	796,098	669,175	669,175
Travel and entertainment	55,591	73,625	181,017
Repairs and maintenance	6,535	36,049	36,049
Stamp duty	-	-	36
Total at the end of the year	**3,005,644**	**2,635,770**	**2,635,770**

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14 Commitments and contingencies

14.1 Capital Commitments
There were no contractual commitments in respect of capital expenditure as at 31 December 2020.

14.2 Contingencies
The company did not have any contingent assets or liabilities during the year.

15 Related parties

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

- Mr. Gyu Seok KWAK, Non-Executive Director (appointed 24 February 2021)
- Mr. Yong Hoon CHANG, Non-Executive Director (appointed 31 December 2020)
- Mr. Byoungdong OH, Non-Executive Director (appointed 31 December 2020)
- Mr. Cheul CHANG, Non-Executive Director (appointed 31 December 2020)
- Mr. Oeduk KIM, Non-Executive Director (appointed 22 January 2020)
- Mr. Jin-Kweon LEE, Non-Executive Director (ceased 28 February 2021)
- Mr. Hyungjin PARK, Non-Executive Director (ceased 31 December 2020)
- Mr. Jaeil RYOO, Non-Executive Director (ceased 31 December 2020)
- Mr. Seongyoung HAN, Non-Executive Director (ceased 31 December 2020)
- Mr. Wooseok LEE, Non-Executive Director (ceased 22 January 2020)
- Mr. Hui-Wan KANG, Non-Executive Director (ceased 22 January 2020)

15.2 Related party transactions
Amounts payable to related parties as at 31 December 2020 is $Nil (2019: Nil)

16 Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto that have occurred since the end of the financial year, that has significantly affected, or may significantly affect, the operation of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

17 Approval of financial statements

The date of the financial statements were approved by the board of directors and authorized for issue is shown in the directors' report.