



2021 - 2023 Statement of Corporate Objectives

Submitted to:

Ministry of Finance and Treasury

Ministry on Mines, Energy and Rural Electrification

November 2020





Our Vision

Safe water for
a healthy nation



Our Mission

To provide reliable and safe water supply and sewerage system within our area of operations in Solomon Islands, while working in partnership with the community to plan, deliver and operate infrastructure in a manner that seeks to minimize the social and environmental impacts of our activities.



Our Values

Purposeful

Everything we do is aimed at delivering a better service.

Challenging

We strive for continuous improvements.

Customer Focused

We aim to exceed the expectations of our customers.

One Team

We strive to work together as one team to achieve our corporate objectives

Honest

We are open and honest about performance and meet our commitments in a reasonable manner.

Chairman's Foreword

It gives me great pleasure to submit the 2021 to 2023 Statement of Corporate Objectives for the Solomon Islands Water Authority, trading as Solomon Water (SW).

We can be deservedly proud of our achievements in recent years but we still have much to do in our quest to become the best State Owned Enterprise in the Solomon Islands, and to achieve our vision of *"Safe water for a healthy nation"*.

SW is undergoing massive change and improvements to its operations and customer service, some of which are noted below. There are areas where we also request support from Government:

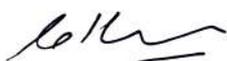
- Our Strategic Plan projects funded within the USD 90 m funding package from our donor partners ADB, World Bank and European Union, with support from Government will commence in earnest during 2021 with major new or upgrade water projects in Honiara, Noro, Munda, Gizo and Tulagi to commence construction in 2021. Construction of new pump stations, rising mains and ocean outfalls for Honiara wastewater should also commence in 2021.

A significant shortfall in donor funds to achieve the necessary projects, particularly Non Revenue Water reductions remains and we request Government to allocate more donor funding to SW for the years 2022 onwards.

- Illegal and unmanaged logging operations in the Kongulai and Kohove water catchment area during 2018 and 2019 have resulted in many shutdowns of up to half of Honiara's water supply following rain due to sediment caused by inadequate environmental management by the loggers. This has had a very significant impact on our operations and finances. The total cost to SW during 2019 and 2020 caused by the logging is around \$26 m. Disruptions to customers water supply will continue until the \$160 m Kongulai water treatment plant, which will commence construction in around April 2021, is commissioned in late 2022.
- SW is in discussion with Government regarding our tariff increase for 2021. A significant increase is necessary to allow SW to become financially sustainable and we look forward to a positive outcome to these discussions.
- SW continues to rely upon CSO from Government to support uneconomic activities in the provinces and greater Honiara settlements, and to balance any shortfall in tariff increases agreed to. Extra CSO is also needed to allow SW to establish operations in Gizo in late 2021.
- Land acquisition for the many improvement projects required, as well as dealing with a significant backlog in historical land matters is a major focus for SW at present. Government support in assisting with the acquisition costs for these lands is requested.

I thank my fellow Board members, Accountable Ministers, Executive Management and staff for their efforts in supporting Solomon Water, and to the ongoing positive development of the company in the years to come.

Solomon Water looks forward to another productive 3 years serving the people of the Solomon Islands and appreciates Government's ongoing support.



Carson Korowa
Chairman of the Board

1. Introduction

This Statement of Corporate Objectives (SCO) is submitted by the Board of Directors of the Solomon Islands Water Authority (SIWA), trading as Solomon water (SW) in accordance with Section 13 of the State Owned Enterprises Act 2007 (The SOE Act). It sets out the Board's overall intentions and objectives for SW for the year commencing 1 January 2021 and the following two financial years.

Solomon Islands Water Authority is required by the State-Owned Enterprise Act (2007) to negotiate this Statement of Corporate Objectives with its owner, the Solomon Islands Government (SIG).

2. Solomon Islands Water Authority Principal Objective

The SOE Act Section 4 requires SW to provide the best possible service for the people of Solomon Islands and contribute to the long term economic and social development of Solomon Islands.

The principal objective of SOE's as set out under Section 5 of the SOE Act is to *"...operate as a successful business and, to this end, to be:*

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

To achieve this, SW has developed and annually reviews, its Vision, Mission, Values, Strategic Objectives and Key Result Areas. This is articulated in SW's Statement of Corporate Objectives 2021-2023

3. About Solomon Water

Solomon Water (SW), is a State-owned Enterprise, established under the Solomon Islands Water Authority Act 1993 (Cap.130) and has a mandate *"to provide for the proper management and development of urban water resources and sewerage services in Solomon Islands"*.

Our mission is to deliver reliable and safe water supply and sewerage services throughout the country and we currently operate in the four urban centers of Auki, Honiara, Noro, and

Tulagi. At present, SW is intending to expand its operations to cover Gizo and Munda in 2021 and 2022 respectively.

We have recently completed our 30 year Strategic Plan and are now implementing the first 5 year Action plan of projects identified in the plan. Key projects include a new water treatment plant for Honiara, upgrading our provincial water supply plants, significant improvements to sewage infrastructure in Honiara, expanding our operations to provide water to Munda and Gizo, and renewal of many aging water and sewer pipes. The 5 year plan implementation progress will be reviewed in late 2021 and a new plan developed for the following 5 years.

Whilst Solomon Water has made significant gains in recent years, it is still not fully financially sustainable and will continue to rely heavily on support from donor agencies for capital works funding. We have recently had a major capital works and capacity building programme of more than USD 72 m approved by the ADB, World Bank and European Union in conjunction with the Government. The financial impacts associated with these projects are reflected in the financial statements through depreciation, deferred revenue and increased operating costs, amongst others.

In order to allow us to fund our share of upcoming capital works as well as the increased operational costs arising from new infrastructure, SIG approved a 5 % tariff increase effective 1 January 2020. In September 2020 SW lodged a tariff request of 12.4 % for 2021 with SIG and we are presently negotiating the increase and look forward to a positive outcome to this.

Further to a request from the Economic Reform Unit of MoFT, we amended our request to 9.6 %, together with a CSO allocation of \$3.2 m over and above our usual CSO of around \$3 m to fund the revenue shortfall from not being granted the 12.4 % increase requested.

Community Service Obligation (CSO) grants from Government remain essential to enable ongoing provision of non-profitable services in the provincial centres which are currently subsidised by Honiara customers. Government support for CSO in Auki and Tulagi is appreciated, and our 2021 request includes \$5.6 m operational and set up support for Gizo.

All costs in this SCO assume a proposed tariff increase of 9.6% and a CSO of \$6.2 m. Further CSO of \$5.6 m to allow establishment of operations in Gizo is also requested.

The coronavirus pandemic has affected SW revenue during 2020 and required significant reductions in Capital and operational expenditure. It is anticipated that the difficult economic conditions will continue until at least June 2021 before a slow recovery commences. The financial forecasts reflect this.

4. Strategic Issues

The key strategic issues and challenges for Solomon Water through 2021 and beyond are:

4.1. Stakeholder engagement

- **Stakeholder Engagement** - Whilst significantly improved in recent years, we recognise the need to continue to improve our engagement and relationship with key stakeholders to improve their understanding of major strategic issues of importance to SW, such as tariff requirements, land access, major projects, safe water quality and the need for further donor funds. It is planned to continue with regular newsletters, media releases and campaigns, and increase discussions with Government Ministers and senior staff.

4.2. Strategic Plan Implementation

- **Donor funding** - Securing further donor funds to support the Strategic Plan projects remains a high priority. ADB and World Bank funds of USD 52 m have become effective during 2020 and we await the EU funding effectiveness in 2021 to make all of our approved funding of around USD 72m able to be used. With the current programme of works, the current funding will be exhausted by end 2022.

Funding remains well below the Strategic Plan required amount of around USD 188 m. We continue to pursue other funding sources and are in discussion with several potential funding partners.

We request Government's support in assisting SW to secure further funding, particularly grant funds, for the years 2023 onwards.

- **Lungga water treatment plant** - The urgent need for a major new water source for Honiara to accommodate the growing population has been identified as the Lungga River. A feasibility study has been completed and funding sources are being explored. Several meetings have been held with the Peoples Republic of China design teams, but we have not received any formal advice if this project is to be funded or not, and if so when this might occur.

Discussions are being held with 2 other parties regarding potential PPP or other funding for the plant. It is unlikely now that the plant will be operational by the start of the Pacific Games in July 2023, and alternative options to provide sufficient water are being explored.

- **Water supply for Gizo and Munda** - The Board has agreed to take over responsibility for provision of water supply to Gizo and Munda, subject to CSO from SIG and donor

assistance for major upgrading works. Limited operation of the Gizo water supply could take place in late 2021 assuming the requirements above are met, followed by full operation of Gizo and Munda in late 2022 once construction of the new supplies are completed. A request for \$5.6 m CSO for Gizo establishment was lodged with SIG in August 2020.

SW requests adequate CSO from Government to allow establishment of operations in Gizo in late 2021.

4.3. Operational and Technical

- **Illegal and unmanaged logging** – SW and its customers have been very severely impacted during 2019 and 2020 through environmental damage caused to the Kohove water catchment Kongulai spring through improperly managed logging.

The logging was stopped in late 2019 however ongoing shutdowns of Kongulai which supplies water to about 40 % of Honiara will continue following rain in the upper catchment until the new \$160 m Kongulai water treatment plant is commissioned in late 2022.

Commissioning of the refurbished White River pump station and 2 boreholes is scheduled for February 2021 and this will help to provide water during times of shutdown.

The net cost to SW through this logging is around \$26 m to date, and despite several requests to SIG and donors, no assistance for any of these costs has been received.

- **Non-Revenue Water (NRW)** – NRW has dropped from around 60% to 56% of the volume of water produced over the 2020 year. The main losses are the result of physical leakage, direct unmetered connections and theft of water through illegal connections. Considerable work identified in the Strategic Plan required to arrest water loss and improve our revenue collection is underway.

Ongoing reductions are expected, although significant progress towards our target of 30% will not occur until large lengths of old and leaking pipelines are replaced.

We currently do not have sufficient funds for these works and request Government support to secure further donor funds to assist this important work.

- **Municipal wastewater collection and disposal** – The standard and extent of Honiara's municipal sewerage system is limited and under-capacity. The environmental impact of the discharge of raw effluent to the sea and rivers is serious and cannot be underestimated as it has serious implications for tourism, community health, and hygiene, especially as uncontrolled informal settlements around Honiara increase and frequently use the rivers and sea for washing, bathing and drinking.

Detailed design of sewer pumping stations, rising mains and ocean outfalls is almost complete and construction of these should commence late 2021.

4.4. Financial

- **Financial sustainability** – previous year’s SCO and Annual Reports have highlighted that SW would require a few more years of sustained performance before it could be considered financially self-sufficient. We are in the process of implementing an essential capital works program in line with the Strategic Plan to upgrade and expand the water and sewerage network, and significantly improve its reliability and efficiency. Current levels of revenue supplemented by partial donor funding are insufficient to cover these costs.

The impact of the Covid – 19 pandemic for SW has been significant with reduced revenue and consequent drastic expenditure cuts and deferment of capital works to balance the reduced revenue. This SCO assumes that the difficult financial conditions will continue until at least June 2021 before a slow recovery begins.

- **Water and Wastewater Tariff** – To ensure the ongoing financial sustainability of SW and to meet the costs of essential capital works cited above, we have lodged a request with SIG in September 2020 for increased tariff of 12.4 % for 2021. We understand that an increase of 9.6 % will be granted for 2021, together with an extra CSO allocation of \$3.2m to fund the revenue shortfall due to the lower than requested tariff increase.

We await a positive response from Government on this. A comprehensive Cost of Service Study and Tariff review will be complete in January 2021 and submitted to Government during the year for review of tariff for the years 2022 to 2024.

- **Electricity costs** – Electricity accounts for about 30% of our total operating costs. We have attempted to negotiate discounted tariff or other means to reduce these costs from Solomon Power without success. We are upgrading many pump motors to high efficiency motors and anticipate that these costs will have quick returns through reduced energy costs.
- **Community Service Obligation** – We are grateful to government for providing a CSO of \$3.7 m in 2020. The CSO funding is specific to supporting unsustainable provincial operations. It should be noted that SW supplies water to areas of Guadalcanal province surrounding Honiara as well as informal settlements within Honiara for which CSO is not provided.

During 2021 SW will commence limited operations in Gizo and this operation will not provide any financial return until a full supply is commissioned in late 2022. A CSO of \$5.6 m has been requested for the 2021 year to enable establishment of operations in Gizo.

Our CSO request for 2021 including for Gizo, has been submitted to Government and

we await a positive outcome.

4.5. Land Access

- **Issues through use of Customary Land** – The security of water resources and water supply continues to be threatened on a regular basis by landowners (customary or otherwise) claiming compensation for the abstraction of water or access to water infrastructure. Government support in this area has been appreciated, and we request further attention to the Kongulai lease and Kohove catchment logging issues, as well as titles issued over the foreshore and seabed surrounding Honiara which will impact upgrades to the sewer outfalls.

Associated with the comments regarding unmanaged logging above, SW is finalizing an application to release USD 4.5 m of funds from the Global Environment Fund (GEF). The funds will be used to commence catchment protection schemes which may assist landowners to secure revenue from their lands without resorting to logging.

- **Land acquisitions** - SW has significant land needs to provide new infrastructure for water services. We are also attempting to manage a significant backlog in historic land management issues and secure water catchment areas for the protection of water sources into the future.

SW has lodged a request to Government for support to enable required lands to be secured from both private and Government sources and we request administrative and financial support in this objective.

4.6. Organisational Effectiveness

- **Enterprise Resource Planning (ERP) software** - The current ERP system (General ledger, financial planning and inventory management) has not adequately met the business needs of SW. Australian company Pronto has been awarded a contract to supply their ERP system and implementation of this is anticipated in April 2021.
- **Organisational capacity** - Weaknesses in the capacity of the organisation to manage efficiently and effectively have been significantly reduced but some remain. The executive leadership has stabilised and the current focus on improving organisational capacity and culture is well advanced.

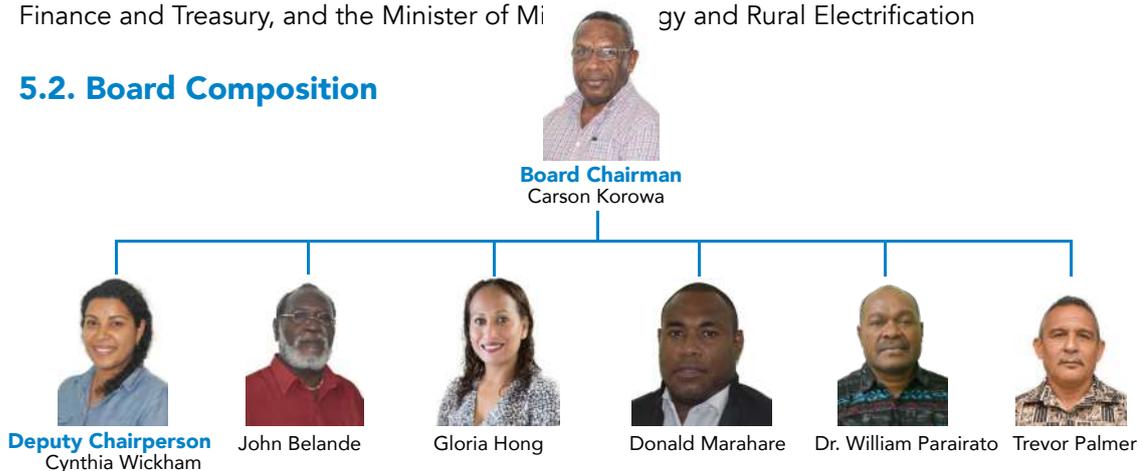
Ongoing difficulties in securing quality and skilled staff, particularly in engineering, accounting and other specialist roles remain a concern.

5. Governance

5.1. Role of the Board

The Board is responsible for policy formulation, oversight of the operations and general administration of the affairs of Solomon Water as stipulated under the SOE Act 2007, Section 6(4). The Board reports to the two Accountable Ministers responsible for SW - the Minister of Finance and Treasury, and the Minister of Ministry and Rural Electrification

5.2. Board Composition



SW currently has a full Board of 7 members, although 2 members' terms have expired and they need to be replaced during 2021.

The Board has written to the Accountable Ministers concerning the recruitment of a new person to replace member Trevor Palmer and we are about to advertise for a new member. It is hoped that a replacement will be appointed in early 2021.

In late 2021 the Board will then advertise for the final seventh position to replace our current Chairman Carson Korowa. Continuity of governance is important particularly during these times of significant growth and development, as well as difficult and unpredictable financial circumstances.

5.3. Business Scope

SW is the owner, manager, operator and/or licensor of water and wastewater supply infrastructure in its areas of operation throughout the Solomon Islands as directed by the Ministers under Section 9 (1) of the SIWA Act 1993.

Its legislated areas of operation include all urban and provincial centres in the Solomon Islands

however it currently operates only in Honiara, Auki, Noro and Tulagi and will commence operations in Gizo and Munda shortly as noted elsewhere in this SCO.

We aim to provide reliable and safe water supply and municipal effluent collection services, to be profitable and sustainable, and to develop our business for the long-term benefit of all Solomon Islanders.

We will do this by:

- Working closely with customers and stakeholders
- Delivering our services at reasonable cost
- Developing our people
- Investing in the right resources to provide a better service
- Educating and informing the public
- Continually improving how we do things
- Being a good employer

5.4. Statutory Functions of Solomon Water

The statutory functions of Solomon Water are defined in Section 7 of the Solomon Islands Water Authority Act, 1993 as follows:

- to control, regulate, develop, manage, conserve and utilise urban water resources in the best interests, of Solomon Islands;
- to formulate national policies relating to the control and use of urban water resources;
- to ensure that the water supplied for consumption meets the prescribed water quality standards;
- to provide, construct, operate, manage and maintain, buildings, works, systems and services for impounding, conserving and supplying water for domestic, industrial commercial and other purposes;
- to provide, construct, operate, manage and maintain buildings, works, systems and services for the conveyance, treatment and disposal of sewage, disposal of trade and industrial waste and other connected purposes; and
- any other like function.

6. Objectives, Action Plans and Performance Targets

STRATEGIC PLAN OBJECTIVES



Figure 1: Solomon Water's High Level Strategic Plan Objectives

To achieve the above objectives, SW is aligning its plans with the long term strategic directions and the Service Standards set by the Board, as these will drive the quality of service provided. These standards are important for the long-term sustainability and cost effectiveness of service delivery. The following Service Standards have been established:

- a) Corporate Objectives
- b) Levels of Service
- c) Design Standards

SW's corporate objectives (tabulated in *Table 1 below*) are the specific targets and drivers in the 30 year Strategic Plan that are set by the SW Board and SIG to drive improvements in service delivery over time. The targets and objectives are developed based on international standards such as WHO, UN Sustainable Development Goals, as well as those of SIG and SW Board

SW has also set a number of service levels for the 5 year Action Plan period from 2017 to 2022, which sets the benchmark for its standard of performance that it will need to achieve. These relate to the broader corporate objectives and regional benchmarks such as those set by Pacific Water and Wastewater Association (PWWA). SW's Service levels for the next 5 years are tabulated in *Table 2 below*.

To drive quality in design, construction and delivery of its services, we developed the SW Water Supply Design and Construction Code (SIWA 2016). This code is based on Australian construction and design standards, adapted to appropriate Solomon Islands conditions. SW is developing Wastewater standards as part of the current detailed sewer design project.

Our strategy during the period of this Statement of Corporate Objectives is to continue with the implementation of key projects as documented in our current annual procurement plan. This is taken from the 5 year Action Plan and reviewed regularly as projects progress and funding is available.

Major capital works investment projects being prepared under the UWSSSP include:

- Honiara network storage and water mains upgrading and renewals;
- upgrade and expansion of sewer pipes and pumping stations;
- Construction of 2 major new sewer outfalls and rationalization of 15 existing outfalls;
- Honiara septage disposal facility,
- upgrades to Noro and Tulagi provincial water supplies
- Take-over of water supply operations for Gizo and Munda, necessitating the construction of new or upgraded facilities
- Ongoing non-revenue water programme
- Lungga Water Treatment Plant,

Most of the above projects will commence construction in 2021, and the financial impacts are included in the financial statements.



Corporate Objectives

Table 1 : Solomon Water Corporation Objectives

Service Area	Current Objectives (2012-2015)	2018 Baseline position	Proposed 5 Year Objectives (2017-2022)
Coverage of Water Supply Systems	80% urban population connected to the SW network by 2015	55% of customers within the service areas have access to network	70% of properties within all service areas have access to network
Drinking Water Quality	Meet WHO microbiological standards for Drinking Water Quality	Chlorine disinfection in Honiara and Noro only (no treatment for Auki and Tulagi)	Implement risk-based drinking water management framework with appropriate health based targets and water safety plans in accordance with current WHO Guidelines for Drinking Water Quality
Water Supply to informal settlements	Ensure clean water and proper sanitation is available in all communities	79% of population have access to improved water supply	Seek SIG direction on appropriate supply options for informal settlements / peri- urban areas Contribute to UN Sustainable Development Goals improved water supply targets
Coverage of wastewater systems	20% increase in coverage of sanitation by 2020	9% of population within service area connected to wastewater system in Honiara, 0% for other provincial centres	Approximately 20% of residential and majority of non-residential customers within Honiara service area have access to wastewater network
Sewerage treatment standard	Investigate municipal sewerage and treatment/disposal	No treatment of sewerage	Screening and effective dilution of all sewerage pumped from wastewater network to waterways
Energy Consumption	Not currently assessed		All capital decisions with electrical energy requirements above 20kW will be assessed on a net present value assessment taking into account capital and operating costs
Emergency Management	Enterprise Risk Management plan prepared and reviewed 6 monthly	DRAFT Business continuity plan to be completed	Risk assessments carried out and emergency response plans prepared for all risks identified that cannot be addressed by remedial action

Financial Sustainability	Annual statutory and management reporting to ensure legislative compliance	Ongoing compliance	SW meets full financial requirements of SOE Act, with contribution from donors and CSOs.
Lifecycle management	Not currently assessed		Develop Lifecycle management targets as part of an asset management plan. Adopt and implement a maintenance management system to manage all routine and breakdown maintenance.
Climate Change/Resilience	Not currently assessed		Identify and assess extreme climate and climate change risks and commence development of mitigation and adaption strategies
Strategic Planning	Board adopted 30 year Strategic Plan and 5 year Action Plan	Implementation of plans	Implement 5 Year Action Plan and review 30 year Strategic Plan in 2021



Electrical and Mechanical Officers assessing Power Voltage

Levels of Service

The levels of service are the standard of performance established as the benchmark for SW to achieve. These relate to the broader corporate objectives and regional benchmarks.

Table 2 : Solomon Water Levels of Service

Service Area	Indicator	2018 baseline	5 Year Target (2017 -2022)
Drinking Water Quality	Compliance with drinking water guidelines (% of samples complying)	48%	95%
	Water Supply Service Continuity		
Water Supply Service Continuity	Continuity of service (Hrs./day) at minimum pressure	22	24
	Customers with continuous supply (%)	93%	95%
	Frequency of Water main breaks (breaks/km/yr)	2.6	2.2
Water Loss Management	Non-Revenue Water –NRW (%)	62%	45%
	Extent of water metering (%)	88%	95%
Water Supply Systems Pressures	Minimum pressure at water meter (m)	Unknown	10
	Maximum pressure at water meter (m)	Unknown	70
Demand Management	Residential water consumption (L/person/d)	177	170
Water Security	Frequency of water restrictions and/or rationing due to raw water capacity limitations	Unknown	1 month per year
Wastewater Service Continuity	Frequency of sewer main blockages (blockages/km/yr.)	6.7	5.0
Wastewater Effluent Quality	Compliance with required effluent quality targets (% of samples complying)	Unknown	Develop targets
	Collection period (average days for collection)	146	90
Financial	Collection ratio (income as % of billed revenue)	84%	90%
	Staff per 1,000 water & wastewater connections	18	12
Customer Complaints	Customer Complaints	Unknown	200
	Customer complaints /1,000 connections		



Cashwater Unit



Cashwater Installations



Solomon Water Meter Technician reporting leak

7. Ratio of Consolidated Shareholders Fund to Total Assets

The estimated capital structure forecast for the next three years are as follows:

Capital Structure & Investment	2021 Forecast	2022 Forecast	2023 Forecast
Total Assets (\$)	654,117,369	664,074,309	674,268,766
Total Liabilities (\$)	382,411,440	388,883,632	395,242,397
Total Equity (\$)	271,705,929	275,190,677	279,026,369
Net Profit (\$)	4,102,408	3,484,748	3,835,692
Total Equity to Total Assets	0.42:1	0.41:1	0.41:1
Return on Assets	0.6%	0.5%	0.6%
Return on Equity	1.5%	1.3%	1.4%

Note:

ROA= Net Profit/Total Assets

ROE= Net Profit/Total Equity

The numbers in the table above are management prepared and unaudited.

7.1. Sources of Investment Funds

We have previously advised of the following funding from donors:

- Asian Development Bank (ADB) - USD9m grant, USD28m concessional Loan
- European Union - USD20.347m grant assistance for urban infrastructure and WASH program from 2019 and 2023. These funds are not yet effective.
- World Bank - concessional loan of USD15m.
- The Solomon Islands Government contribution will be through duty and tax exemptions totalling USD11.467m.
- SW contribution will be through eligible 'in-kind' expenses of USD9m.

8. Summary of Forecasted Financial Statements

ANNEX 1-Forecasted Financial Statements 2021-2023 (unaudited)

The following statements and forecasts are provided:

The assumptions made for key items in the forecasted statements include increase in operating income primarily due to tariff increase and growth. Other income mainly comprises CSO payment of \$6.2 million as verbally agreed with the ERU. Operating expense increases are assumed to grow commensurate with increased level of capital works.

The financial forecast for the next 3 years highlights modest profits due to the assumption of the granting of the requested tariff increase. Without the forecasted increase in the tariff, SW will again be in a position where profits will be weak and SW will be unable to deliver its share of the major program of works identified in its 30-year Strategic Plan and 5-year Action Plan or meet the associated operating costs.

Projected Operating Income is dependent on collection of debt; timely receipt from domestic customers remains problematic, as does certain Government departments. While we anticipated mitigating this through a gradual change to “cash water” meters, the high defect rate of these meters has necessitated a temporary return to post-paid meters pending a review of the Cash Water strategy. At the same time we are strengthening our Collections team and boosting collection efforts.

Notwithstanding any profits posted, SW remains in a vulnerable cash flow position particularly due to its high capex commitments and therefore does not have the ability to absorb any significant shocks.

9. Accounting Policies

SW has adopted International Financial Reporting Standards as the basis of its accounting policies in the measurement and reporting of profit, cash flow, movements in equity and financial position.

10. Dividend Policy

It is anticipated that any surplus funds that might be available at the end of each financial year in the foreseeable future will be reinvested into the refurbishment, replacement or expansion of SW's assets. Consequently it is anticipated that there will no dividend payment to shareholders in the forecast period.

YEAR	2021 Forecast	2022 Forecast	2023 Forecast
Estimated amount to be distributed by dividend to shareholders (\$M)	NIL	NIL	NIL

Should tariff increases result in profits in excess of anticipated commitments, a dividend will be paid to Government.

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

11. Information to be reported

SW will provide the required reporting in accordance with Sections 13, 14 and 15 of the SOE Act for each financial year.

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

12. Such other matters agreed by the shareholding Ministries and the Board

There are no other matters that have been agreed by the Shareholding Ministers and Solomon Islands Water Authority Board for inclusion in this statement pursuant to Section 13(2) (j) of the SOE Act.



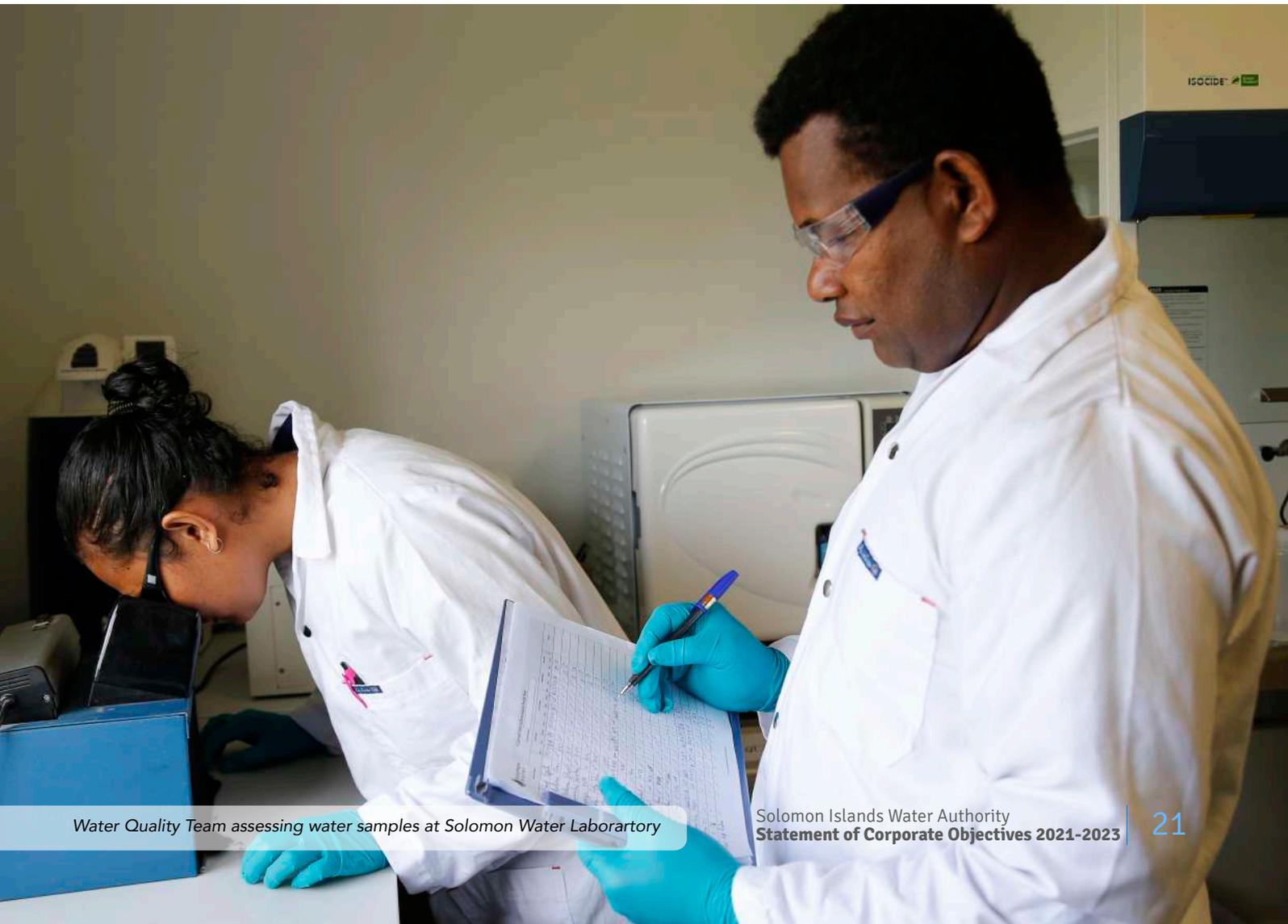
Capital works team carry out pipe laying at GBR



Electrical and Mechanical officer monitoring power supply at Point Cruz Pump Station



Meter Technicians carrying out meter readings



Water Quality Team assessing water samples at Solomon Water Laboratory

ANNEX 1-Forecasted Financial Statements 2021-2023 (unaudited)

SOLOMON ISLANDS WATER AUTHORITY FORECASTED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 2021- 2023

	2021	2022	2023
	SBD	SBD	SBD
Revenue			
Operating income	106,531,200	116,758,195	127,966,982
Other income	6,570,000	6,714,540	6,862,260
Total Revenue	113,101,200	123,472,735	134,829,242
Expenses			
Corporate expenses	7,132,820	7,289,742	7,450,116
Depreciation	23,163,177	31,286,649	39,385,442
Salaries and employee benefits	40,991,739	41,893,558	42,815,216
Allowance for bad debts	1,000,000	2,000,000	3,000,000
Repairs and maintenance	2,752,532	2,813,088	2,874,976
Tools and uniforms	1,960,523	2,003,655	2,047,735
Utilities	30,588,000	31,260,936	31,948,677
Water treatment	1,380,000	1,410,360	1,441,388
Other expenses	30,000	30,000	30,000
Total Expenses	108,998,792	119,987,987	130,993,550
Net profit for the year	4,102,408	3,484,748	3,835,692

Note: Donor funding not included in above P&L

FORECASTED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD 2021-2023

	2021	2022	2023
	SBD	SBD	SBD
Current Assets			
Cash and Cash Equivalents	12,000,000	15,000,000	20,000,000
Trade and Other Receivables	2,011,987	2,056,251	2,101,488
Inventories	8,815,837	9,009,785	9,208,001
Prepayments and Other Assets	13,050,000	13,337,100	13,630,516
Non-Current Assets	618,239,545	624,671,173	629,328,761
Property, Plant & Equipment ¹	458,014,654	515,195,257	556,400,290
Intangibles	5,248,888	6,248,888	6,248,888
Work In Progress	154,976,003	103,227,028	66,679,583
	654,117,369	664,074,309	674,268,766
Liabilities			
Trade And Other Payables	7,059,041	7,214,340	7,373,055
Deferred Revenue	17,372,383	23,464,987	29,539,082
Employee Benefits Liability	3,441,417	3,365,706	3,291,660
Related Party (SIG) Accrued interest payments	1,500,000	1,800,000	2,000,000
Loans Payable	353,038,600	353,038,600	353,038,600
Equity	271,705,929	275,190,677	279,026,369
Asset Revaluation Reserve	142,169,998	142,169,998	142,169,998
Capital Contributions	59,625,874	59,625,874	59,625,874
Retained Earnings B/Fwd.	69,910,057	73,394,805	77,230,497
	654,117,369	664,074,309	674,268,766

Note: Donor funded assets are included in above Statement of Financial Position

¹ Subject to ADB-EU co-financing agreement anticipated Q1 2021 and funding effectiveness expected in the following quarter



2021-2023 Statement
of Corporate
Objectives