Solomon Water

Safe water for a healthy nation

ANNUAL REPORT 2021

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Solomon Islands Water Authority

Our Vision

Safe water for a healthy nation

Our Mission

"To provide reliable and safe water supply and sewerage systems 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 improvement.*

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*

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

Chairman's Foreword

It gives me great pleasure to present the 2021 Annual Report for Solomon Islands Water Authority, trading as Solomon Water.

As with the prior year, 2021 has continued to be challenging, given the subdued operating environment in the Solomon Islands due primarily to Covid-19 and the consequent border closures.

Kongulai, the main source of water to Honiara, continues to be a significant challenge for Solomon Water due to the continued need for shutdown of supply, consequently adversely affecting Solomon Water's revenue base. We look forward to the successful outcome from the re-bid for construction of a new treatment plant.

I am thankful to the Australian and New Zealand Governments for their funding support during the year in progressing some important projects and capital purchases.

I also remain grateful to the Asian Development Bank and World Bank, without whose support Solomon Water would not have been able to undertake the Kongulai treatment plant and other projects of strategic significance. However, the funding shortfall and tightness in Solomon Water's own cash flow, particularly in the event of continued subdued economic conditions, raises concerns about the need to be selective in projects that can be undertaken.

Of strategic importance is also the poor payment habits of customers on their water bills against growing operating expenses as Solomon Water ramps up its efforts on NRW management.

Thanks to strong cooperation from our Accountable Ministers, we have a full complement of directors, having replaced two in 2021. I thank the former Chairman, Carson Korowa and director Trevor Palmer who provided many years of dedicated service to Solomon Water. The Board is grateful for their contribution. I welcome new members Tony Makabo and George Rausi.

I thank my fellow board members, Accountable Ministers, Executive and staff for their efforts in supporting Solomon Water through a challenging 2021.

Donald Marahare

Chairman of the Board

Chief Executive's Overview

Contrary to our budget assumption of an easing of the impact of Covid-19 in the second half of 2021, borders continued to remain closed thereby resulting in subdued economic conditions in the Solomon Islands. However, thanks to Government for a tariff increase, complemented by growth in customer numbers and improved collection efforts, collections improved 12% in 2021 over prior year. Despite this achievement, Solomon Water continues to carry a large debt over 90 days as customers, particularly residential, which continues to demonstrate poor payment behaviour.

Solomon Water's cash flow was strengthened by a $30 million grant from the Australian Government and $7 million grant from the New Zealand Government. We are grateful for these payments which would have otherwise had to be met from Solomon Water's own cash flow. Funds have been mainly allocated to bolstering water availability and security in various locations in Kombito, Rove and Point Cruz, and Auki.

Non-revenue water continues to be a serious challenge, with weak economic conditions contributing to illegal activities. Also contributing to (commercial) NRW was the continuing failure of pre-paid meters. Despite this, Solomon Water improved its overall NRW % - physical and commercial - from 60% in 2020 to 55% in 2021. This is due to significant investment in additional staff, NRW monitoring, leak detection and repairs, closer alignment between Operations and commercial teams, and improved reporting systems.

Re-tendering for the Kongulai Water Treatment Plant was necessary due to bids not being compliant with requirements of the bidding documents. The tender closed on 1 November and evaluation was in progress as at year-end. Plant construction is estimated to commence in June 2022, with completion expected in July 2023. This will allow Solomon Water to produce water regardless of weather and catchment conditions. We took steps to try and reduce the impacts caused by illegal activities that are causing the dirty water. The rehabilitated White River borefield was commissioned in May 2021 to allow limited ongoing water production when other supplies are shut down.

While there remains some work to complete the White River Pump Station refurbishment project, the facility has been operational and contributing water to the Solomon Water network since early 2021.

Solomon Water is thankful to Government for CSO payments and 3-year tariff increase - these supplemented revenue in 2021. Despite this, and donor funding from ADB and World Bank, Solomon Water faces a significant funding shortfall, particularly to cover its large capex works program. This has forced Management to be selective in prioritizing only the most essential projects.

The Covid-19 pandemic disrupted operations and affected productivity although the more severe effects of the virus was contained due to Solomon Water staff being fully vaccinated. Management continued to review productivity and organisational efficiency. Implementation of Pronto, the new ERP, commenced and 'go live' is expected in third quarter 2022. The automation of several manual tasks and report generation across the organisation is expected to significantly improve efficiency and speed of decision making. We are confident that such investment will contribute to faster and better decision making in the future.

I am thankful to the Board and my dedicated Executive team and staff for the many achievements despite the difficulties brought about by the second year of the pandemic.

Ian Gooden

Chief Executive Officer

About Solomon Islands Water Authority

Who we are

Solomon Islands Water Authority is a water and sewerage business supplying potable water and collecting municipal effluent in the urban centres of Honiara. It also provides potable water services to Auki, Noro and Tulagi.

Solomon Islands Water Authority is an enterprise wholly owned by the Solomon Islands Government and uses the approved brand name Solomon Water for marketing and operational purposes.

What we want to achieve

Our Vision is:

Safe water for a healthy nation

How we will get there

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 Solomon Islands. 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

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:

a) to control, regulate, develop, manage, conserve and utilise urban water resources in the best interests of Solomon Islands;
b) to formulate national policies relating to the control and use of urban water resources;
c) to ensure that the water supplied for consumption meets the prescribed water quality standards;
d) 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;
e) 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;
f) and any other like function

Corporate Governance

Solomon Islands Water Authority was established under the Solomon Islands Water Authority Act 1993 and is governed under the State Owned Enterprises Act 2007.

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 SOE Act 2007, Section 6(4). The Board reports to the two Accountable Ministers responsible for Solomon Water - the Minister of Finance and Treasury, and the Minister of Mines, Energy and Rural Electrification.

Board Composition

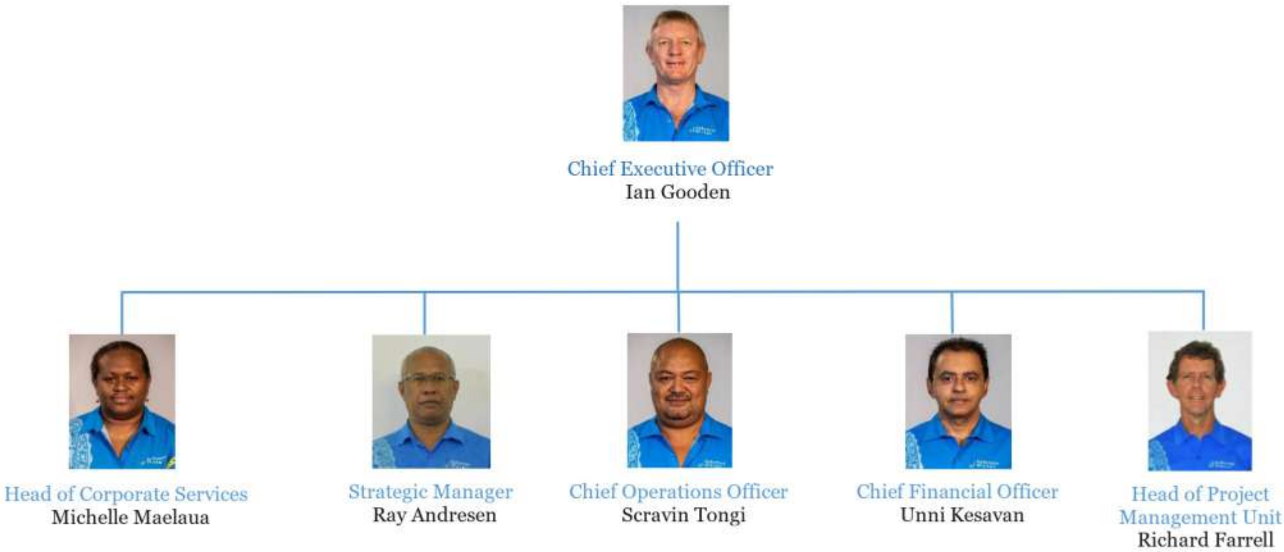
Appointment of Board Directors is as stipulated under State Owned Enterprises Regulations 2010. Current Solomon Water Board is made up of the following persons:

Board members, Carson Korowa and Trevor Palmer, whose terms had expired have now been replaced by Tony Makabo and George Rausi in November 2021. At the end of 2021 the Chairperson had not yet been appointed and Deputy Chairperson, Cynthia Wickham fulfilled the role pending appointment of a new Chairperson.

An audit sub-committee chaired by Gloria Hong supports good governance and reviews reports and audits carried out by our Internal Auditor.

Organisational Structure

Solomon Water has 221 staff in four departments operating under the direction of the Chief Executive as shown in the diagram below.



Report on the Operations of Solomon Islands Water Authority

The Statement of Corporate Objectives (SCO) 2022 – 2024 identified 15 key strategic issues and challenges for Solomon Water through to 2024 and beyond, and these are listed below with comments on progress to date:

Strategic Issue identified	Annual Report Comments
Stakeholder Engagement	
Stakeholder Engagement - Whilst significantly improved in recent years, we recognize 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, logging impacts 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.	We continue to engage with stakeholders and government ministries and believe the improved relationships are evident. Securing time with some ministers / ministries can be difficult.
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 became effective during 2020 and we await the EU funding effectiveness in early 2022 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 2023. Some projects ready for construction in early 2022 cannot proceed to market due to lack of funds. Funding remains well below the Strategic Plan required amount of around USD 188 m, which has been significantly exacerbated by rising tender prices as a result of the pandemic. 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.**	Effectiveness of the EU funding has still not occurred due to a co-financing agreement between ADB and EU still to be executed. No further funds for the Urban Water Supply and Sanitation Sector Project (UWSSSP) programme has been secured and the funding gap continues to grow due to increased cost driven by the pandemic and general inflation. The current funding shortfall exceeds USD 25m, and we urgently request SIG to allocate more funds to the UWSSSP programme. Some funding was provided by DFAT and MFAT, however this was generally for other specified projects and does not contribute significantly to the UWSSSP.
Strategic	
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 People's Republic of China design	There has been no further progress on this important project during 2021. As this project will not now be ready for commissioning in the next 4 years alternative options to boost Honiara water production have to be considered and DFAT is

Strategic Issue identified	Annual Report Comments
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 1 other party regarding potential PPP or other funding for the plant. It is clear now that the plant will not be operational by the start of the Pacific Games in November 2023, and alternative options to provide sufficient water are being explored.	supporting the construction of several boreholes to boost supply in east Honiara.
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 2022 assuming the requirements above are met, followed by full operation of Gizo and Munda once construction of the new supplies are completed. These projects cannot be funded at present due to insufficient donor funds. A request for $5.6 m CSO for Gizo establishment has been lodged with SIG. **SW requests adequate CSO from Government to allow establishment of operations in Gizo as well as further donor funds for the capital works required.**	Design and bid documents for the construction of new water supplies for both Gizo and Munda have been delayed due to travel restrictions affecting consultants work in country and will now be ready by Q3 2022. We have had tentative discussions with another donor for partial funding of Gizo and this should be resolved in early 2022. Munda remains unfunded. Government has also not provided CSO towards establishment of SW operations in Gizo. **We request Government to consider supporting these important provincial projects.**
Operational and Technical	
Illegal and unmanaged logging – SW and its customers have been very severely impacted since 2019 through environmental damage caused to the catchments serving Kongulai spring through improperly managed as well as illegal logging. Logging continues in the Kongulai today causing ongoing shutdowns affecting about 40 % of Honiara. This will continue into 2022 following rain in the upper catchment until it is stopped and the catchment regenerates or the new $160 m Kongulai water treatment plant is commissioned in late 2022. Even once the plant is built, management of the catchment to reduce sediment in the water will be required for the plant to operate effectively. Commissioning of the refurbished White River pump station and 2 boreholes was completed during 2021 and this is helping to provide water during times of shutdown. **The net cash impact on SW through illegal logging exceeds $30 m to date, and despite**	The effects of illegal and unmanaged logging have had a cash impact on Solomon water of more than $40 m in cash from 2019 to 2021. This has had a severe impact on SW finances. Unconsented and illegal sawmilling and logging in the Kongulai catchment in the first half of 2021 has again caused many problems and forced shutdowns to the supply and put the health of tens of thousands of people at risk. We urge Government to act strongly to stop these illegal activities. Solomon water finally took a High Court injunction one illegal operator to stop this activity, but further action from Government to stop such activities and ensure ongoing illegal activities are stopped is needed. Re - tendering for the Kongulai Water Treatment Plant as none of the tenderers met the required criteria occurred and a contract is expected to be awarded in early 2022.

Strategic Issue identified	Annual Report Comments
many requests to Government agencies, the logging has not been stopped. SW again requests firm intervention from Government to stop illegal activities in the catchment.	Construction commencement is anticipated in Q3 2022. Refurbishment of the White River pump station and 2 boreholes to augment production when Kongulai is shutdown was completed in May 2021 at a cost of over $7 m. This project will provide up to an extra 2 million litres of water per day to augment supplies. Further borehole upgrade and drilling is planned for 2022.
Non-Revenue Water (NRW) – Significant improvements in NRW reduction has occurred during 2021 which has dropped losses from around 59% to 50% of the volume of water produced. This is attributable to major restructuring of the activity, increased staffing and funding from New Zealand which has allowed us to purchase vehicles, plant and equipment. The main causes of loss are the result of physical leakage, direct unmetered connections and theft of water through illegal connections. 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 or CSO to assist pipe renewals.**	NRW has remained stubbornly high at 56% during the first half of 2021, and this is thought to be due to more customers stealing water due to a deterioration in people's financial circumstances associated with Covid – 19. Difficulties with pre-paid CashWater meters have also impacted NRW and revenue. We have invested significant specialist human and financial resources in tackling NRW and the benefits are starting to show with losses reducing. It is anticipated that NRW will begin to trend downwards more aggressively in the second half of this year. **Further donor funds are required for pipe replacements before significant NRW reductions will occur**.
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 in 2022 subject to donor funds becoming available. Considerable sewer related works are required to provide adequate services to the Pacific Games facilities and we await confirmation from Government for the funds for this work.	Sewer outfall rehabilitation and sewage pumping station refurbishment studies under the UWSSP has been completed and detailed design of the new infrastructure has been delayed by the pandemic and is almost complete. Further modelling of the wastewater impact in the Honiara bay area has been required by the Ministry of Environment and this work is underway but will delay the implementation of this project. The projects should now be ready for tender for construction in late 2022 or early 2023. Unfortunately, there are insufficient donor funds to complete both the Ranadi and NRH sections of the works and there are potential

Strategic Issue identified	Annual Report Comments
	implications for sewerage servicing for the Pacific Games and for construction progress on the Kukum highway road upgrade. The Ranadi component of the system has had to be split into several smaller projects and the games components accelerated. **We continue to request support from Government to resolve these critical issues.** Installation of a new ocean outfall at Rove has been delayed due to MID planned road works in the immediate vicinity. We are working with the designers to accommodate the new outfall in this area.
Financial	
Financial sustainability – previous year's SCO and Annual Reports have highlighted that SW requires 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 impacts of the Covid – 19 pandemic for SW have been significant with reduced revenue and consequent drastic expenditure cuts and deferment of capital works to balance the reduced revenue, particularly during 2020. This SCO assumes that the difficult financial conditions will continue until at least June 2022 before a slow recovery begins.	Finance processes continue to be strengthened; a result of which SW again received an unqualified audit opinion on its 2021 financial statements. A one-off impairment charge on SW's failed prepaid meters is expected to result in a net loss. SW continues to experience tight cash flow due to weak cash collection against an increasing opex and capex base. Land acquisitions for the donor funded projects (reservoirs, Trunk mains and sewage upgrades) are significant and SW again requests government support for these costs.
Water and Wastewater Tariff – As noted in Section 3 above, to ensure the ongoing financial sustainability of SW and to meet the costs of essential capital works cited above. A comprehensive Cost of Service Study and Tariff review was completed and submitted to Government in August 2021 for a proposed tariff increase of 12.4 % for 2021, 5% % for 2023 and 4 % for 2024. **We await a positive response from Government on the tariff and CSO as stated above and this SCO is prepared on the assumption of a tariff increase as requested for 2022-2024**	SW is thankful to the Government for the Tariff increase of 9.6% for 2021. Regrettably the $3m CSO promised to offset the higher than required increase was not provided by Government. Delays in approving the increase also resulted in around $800k revenue loss in January and February. For the 2022-24 years, the ADB-appointed consultant proposed specific CSO levels for each year to support the requested tariffs to ensure cash flow sustainability. While we are grateful to Government for the tariff increases, Government's denial of the extra

Strategic Issue identified	Annual Report Comments
	2021 CSO required adversely affected SW's work programme for 2021. **SW requires significant support for power, land acquisitions, non-donor funded capex and further CSO support for Solomon Water to remain financially sustainable. We trust Government will accede to our request.**
Electricity costs – Electricity and other utilities account for about 26% of our total cash operating costs. We have attempted to negotiate discounted tariff or other means to reduce these costs from Solomon Power without success. The recent Solomon Power tariff reduction has done little to assist SW, and our subsidy of domestic power customers has actually increased as a result. We are upgrading many pump motors to high efficiency motors and anticipate that these costs will have quick returns through reduced energy costs.	Solomon Water continues to suffer with high power costs and again requests Government's support to assist in reducing these costs if it is committed to ensuring affordable water for the people of the Solomon Islands.
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 eligible, but not provided. During 2022 SW may commence limited operations in Gizo and this operation will not provide any financial return until a full supply is commissioned in late 2023, subject to increased donor funding. A CSO of $5.6 m has been requested for the establishment of operations in Gizo. **Our CSO request for establishment of operations in Gizo has been submitted to Government and we await a positive outcome.**	We are grateful to Government for the CSO of $3.1 m allocated for 2021. This amount falls short of the costs required to sustain the operations of the Provincial centres and peri-urban areas surrounding Honiara and in Guadalcanal province. As mentioned above it also falls short of the consultant's recommendation for a sustainable SW. Government did not support the request from MMERE, Western province government and SW for a CSO to allow establishment of operations in Gizo in 2021. Construction of the Gizo water supply should commence in early 2023 and we again request CSO to assist in Solomon water's establishment and depot / customer care centre construction.
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.	Land access is an on-going major problem, with little progress by SIG. The first half of 2021 has been particularly difficult with ongoing threats and difficulties from landowners at Tulagi and Ziata as well as severe disruption to supply at Kongulai and Kombito due to illegal earthworks and sawmilling / logging. Much of this is historical from lease agreements or unresolved compensation matters since the supplies were established many years ago.

Strategic Issue identified	Annual Report Comments
SW appreciates the establishment by Cabinet of the Water Sources Restitution Technical Working Group and looks forward to the group being able to provide tangible outcomes in the various catchments where we operate. Associated with the comments regarding unmanaged logging above, SW has now had its request for funds from the Global Environment Fund (GEF) approved and awaits their effectiveness before the end of 2021. The funds will be used to commence catchment protection schemes which may assist landowners to secure revenue from their lands without resorting to logging. Recruitment of key personnel to effect this programme has already been completed.	Significant problems with informal settlements inside water catchments areas in Auki and Panatina continue and submissions for protection of these catchments have been made to the Land Board. Land Board has approved an allocation for the Auki Catchment area although formal agreement for the designated catchment areas is still pending. Approval of the USD 4.5 m GEF funds have now been achieved and recruitment of key personnel and contractors to implement this programme is well underway. A Government working group to assist with land issues has been established but little progress has been made. **Stronger Government support is essential to manage this issue, and it is proposed that resumption of lands or compulsory acquisition of lands be undertaken where appropriate.**
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.**	Ongoing problems with little progress by Government to assist. Significant problems occur with settlers inside water catchment areas and we are taking steps to manage this. Illegal and unmanaged logging and sawmilling in the Kongulai water catchment area is ongoing as is illegal quarrying in the Kombito catchment. These 2 water sources supply almost 50% of Honiara's water and these activities are causing much disruption to the city water supply. Stronger Government support is essential to manage this issue, and it is proposed that compulsory acquisition of lands be undertaken where appropriate.
Organisational Effectiveness	
Enterprise Resource Planning (ERP) software - The current ERP system (General ledger, financial planning and inventory management) has not adequately met the business of 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.	Delays in implementation of Pronto and SW's statutory audit due to travel restrictions have occurred. Implementation is ongoing with completion anticipated by mid-2022.

Strategic Issue identified	Annual Report Comments
Organisational capacity - Weaknesses in the capacity of the organisation to manage efficiently and effectively have been reduced but some remain. The executive leadership has stabilised and the current focus on rebuilding staff relationships, organisational capacity and culture is well advanced. Ongoing difficulties in securing quality and skilled staff, particularly in engineering, accounting and project management roles remain a concern.	Organisational capacity continues to strengthen, although international training opportunities have been limited. In order to manage the rapidly growing workload and customer base, considerable recruitment is currently underway. Recruitment of quality and skilled staff remains a serious issue.

Objectives, Proposed Actions and Performance Targets

The tables on the following pages outline the objectives, proposed actions and Levels of Service targets that were established as part of the Strategic Plan development in 2017. It should be noted however that actual implementation of the Strategic Plan did not properly commence until 2018, and the targets have been included in the Urban Water Supply and Sanitation Services Plan (UWSSSP) which has a forecast period of 2018 to 2025. Funding for the plan has been delayed through factors outside of Solomon Water's control and consequently real progress against the objectives will also be delayed.

The most right-hand column of the tables reports on progress through 2021.

Table 1: Solomon Water Corporate Objectives

Service Area	Proposed 5 Year Objectives (2017-2022)	2021 Progress
Coverage of Water Supply Systems	70% of properties within all service areas have access to network	59% of customers within the service areas have access to network. A total of 1199 new customer connections were made during 2021.
Drinking Water Quality	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	Honiara, Auki, Noro and Tulagi are now on 100% chlorine disinfection. Water Safety Plan for Honiara is in place and operational. Draft water safety plans for Noro, Auki and Tulagi completed, to be reviewed and approved in Q1 2022.
Water Supply to informal settlements	Seek SIG direction on appropriate supply options for informal settlements / peri-urban areas Contribute to UN Sustainable Development Goals improved water supply targets	Formal policy on supply to settlement areas has been relaxed to allow Cash Water meter installations. Some of the Cash Water installations noted above have been in informal areas, and an Urban WASH programme is under design for 2021 implementation. DFAT funding has facilitated water supply to vulnerable communities with construction of new pipelines and customer connections well underway.
Coverage of wastewater systems	Approximately 20% of residential and majority of non-residential customers within Honiara service area have access to wastewater network	9% of population within service area connected to the wastewater system in Honiara, 0% for other provincial centres. Once significant upgrades to the Honiara Wastewater system are carried out, further properties can be connected. Insufficient funding is available to carry out the above improvements.
Sewerage treatment standard	Screening and effective dilution of all sewerage pumped from wastewater network to waterways	No treatment of sewerage occurs at present. Once the planned 2 new sewer outfalls are constructed, basic screening will be provided and deep sea discharge will significantly improve the recreational water quality in Honiara foreshore areas. Insufficient funding is available to upgrade all of Honiara's wastewater network and either the Ranadi industrial areas or the CBD area will be upgraded at this stage. Once further funding is made available through the donor programme, the balance of the current city network can be upgraded.

Energy Consumption	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	A donor funded energy assessment of selected electrical installations was conducted during 2019, with several recommendations for improved efficiency and electricity cost savings implemented. Many pump change outs to more efficient motors have now occurred resulting in reductions in energy consumption.
Emergency Management	Risk assessments carried out and emergency response plans prepared for all risks identified that cannot be addressed by remedial action.	Significant progress has been made on preparation of Business continuity plans and other risk mitigation initiatives. These were implemented and tested during the November 2021 riots. Covid -19 response plans were also improved as the pandemic conditions changed through 2021.
Financial Sustainability	SW meets full financial requirements of SOE Act, with contribution from donors and CSOs.	Ongoing compliance with reporting requirements. Medium term financial sustainability is absolutely dependent on Tariff reviews and CSO payments as per the independent consultant's recommendations. There remains insufficient profit generated to fund the SW funded capital works required to maintain our assets in appropriate condition. A significant funding opportunity exists within the donor funded UWSSSP and ongoing requests for further assistance have yielded little benefit.
Lifecycle management	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.	An Asset management specialist was appointed in 2020, and a consulting firm appointed in 2021 to develop an Asset management plan and system. This project is underway with completion anticipated in late 2022.
Climate Change/Resilience	Identify and assess extreme climate and climate change risks and commence development of mitigation and adaption strategies	Climate change mitigation and adaption strategies incorporated into design of new assets under UWSSSP.
Strategic Planning	Implement 5 Year Action Plan and review 30 year Strategic Plan in 2021	Implementation of plans ongoing with significant progress made despite ongoing travel restrictions. 2 major projects were tendered but neither could be awarded. The Kongulai water treatment plant and Honiara reservoirs contracts were retendered in late 2021 and contract awards are anticipated in Q1 2022.

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 Level of Service

Service Area	Indicator	2017 Baseline Performance	5 Year Target (2017 - 2022)	2021 Outcome
Drinking Water Quality	Compliance with drinking water guidelines (% of samples complying)	48%	E-Coli - 98% Coliform – 95%	E. Coli compliance 99.6 % (Honiara only) Coliform compliance 96.2% (Honiara only) Provincial towns sampling not yet at WHO standards.
Water Supply Service Continuity	Continuity of service (Hrs./day) at minimum pressure	22	24	Honiara - 22.7 hrs/day. Ongoing shutdown of Kongulai supply following heavy rain remains the biggest challenge. Auki – 24hrs/day, Tulagi – 23.6hrs/day and Noro – 23.9hrs/day
	Customers with continuous supply (%)	93%	95%	Ongoing shutdown of Kongulai supply following heavy rain remains the biggest cause for disruptions to the continuous supply of water.
	Frequency of Water main breaks (breaks/km/yr)	2.6	2.2	1.02 breaks / km /year for trunk mains 200 mm and larger. Baseline figure includes small diameter reticulation and service lines
Water Loss Management	Non-Revenue Water –NRW (%)	62%	45%	Honiara – 54.4%, Auki – 57.1%, Noro – 47.9% and Tulagi – 66.2%
	Extent of water metering (%)	88%	95%	97.9% of connected customers have water meters.
Water Supply Systems Pressures	Minimum pressure at water meter (m)	Unknown	10	Average around 8 m.
	Maximum pressure at water meter (m)	Unknown	70	100 m in some areas.
Demand Management	Residential water consumption (L/person/d)	177	170	Average around 150 l/person/d

Water Security	Frequency of water restrictions and/or rationing due to raw water capacity limitations	Unknown	1 month per year	49 days of restricted supply to parts of Honiara due to Kongulai and Kombito supply shutdowns because of high turbidity water following heavy rain.
Wastewater Service Continuity	Frequency of sewer main blockages (blockages/km/yr.)	6.7	5.0	8.31. Higher number of incidences due to 2 commercial customers building over our sewer pipes which necessitated relocation of pipes. Pipe relocation completed in November 2021.
Wastewater Effluent Quality	Compliance with required effluent quality targets (% of samples complying)	Unknown	Develop targets	To be developed as sewer upgrades progress in coming years
Financial	Collection period (average days for collection)	146	90	141 days. Lengthened collection period due to economic downturn
	Collection ratio (income as % of billed revenue)	84%	90%	67 % Reduced collection due to economic downturn
	Staff per 1,000 water & wastewater connections	18	12	14.6. Increased number of staff due to large capital works programme as well as significant customer growth.
Customer Complaints	Customer complaints /1,000 connections	Unknown	200	127 Increased complaints mainly due to Cash Water defects

Solomon Islands Water Authority

Financial Statements

For the year ended

31 December 2021

SOLOMON ISLANDS WATER AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

SOLOMON ISLANDS WATER AUTHORITY

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SOLOMON ISLANDS WATER AUTHORITY

DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Solomon Islands Water Authority (the "Authority") as at 31 December 2021 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and report as follows:

Directors

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

Carson Korowa	Board Chairman (resigned on 25 November 2021)
Cynthia Wickham	Deputy Chair
Trevor Palmer	Board member (resigned on 24 November 2021)
Donald Marahare	Board member (Appointed Chairman 20 April 2022)
John Belande	Board member
Gloria Hong	Board member
Dr William Parairato	Board member
Anthony Makabo	Board Member
George Rausi	Board Member

State of affairs

In complying with the Solomon Islands Water Authority Act and the State Owned Enterprises Act of 2007, the Directors hereby submit the financial statements of the Authority consisting of the statement of financial position as at 31 December 2021, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Authority for the year then ended.

Principal activities

The principal activity of the Authority during the year was the treatment and distribution of water in the Solomon Islands. There was no significant change in the nature of this activity during the financial year.

Results

The total comprehensive loss for the year was SBD 7,164,777 (2020 income: SBD 17,657,147).

Dividends

The Directors recommend that no dividends be declared and proposed for the year (2020: SBD Nil).

Reserves

The Directors acknowledge that no transfer be made to or from reserves.

Receivables

The Directors took reasonable steps before the Authority's financial statements were made out to ascertain that action had been taken in relation to writing off of all known bad debts and allowance made for impairment losses.

At the date of this report, the Directors are not aware of any circumstances which would render the above assessment inadequate to any substantial extent.

Non-Current Assets

The Directors took reasonable steps before the Authority's financial statements were made out to ascertain whether any non-current assets were unlikely to be realised in the ordinary course of business compared to their values as shown in the accounting records of the Authority. Where necessary these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realise. The Directors also took reasonable steps to assess useful life of items of property, plant and equipment to reflect the current use of assets as shown in the accounting records of the Authority.

SOLOMON ISLANDS WATER AUTHORITY

DIRECTORS' REPORT (continued)

Non-Current Assets (continued)

As at the date of this report, the Directors are not aware of any circumstances which would render the values attributed to non-current assets in the Authority's financial statements misleading.

Going concern

In the opinion of the Directors, the Authority is a going concern.

Unusual circumstances

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

Other circumstances

As at the date of this report:

(a) No charge on the assets of the Authority has been given since the end of the financial year to secure the liabilities of any other person;

(b) No contingent liabilities have arisen since the end of the financial year for which the Authority could become liable; and

(c) No contingent liabilities or other liabilities of the Authority have become or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Authority to meet its obligations as and when they fall due.

As at the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the Authority's financial statements, which would render any amounts stated in the financial statements to be misleading.

Directors' benefits

Since the beginning of this financial year, no Director has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements or received as the fixed salary of a full-time employee of the Authority) by reason of a contract made by the Authority with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Significant events during the year

During the year a number of Covid-19 cases were detected in quarantine. To counter the likelihood of community infection, the borders remained closed. This had an adverse impact on the Solomon Islands economy. Refer to Note 2(e) COVID-19 impact for details.

The riots in Honiara, while not having a significant financial impact on the Authority, temporarily disrupted its operations due to its impact on the lives of staff and their inability to travel to work.

Events subsequent to balance date

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

Donald Marahare was appointed Chairman of the Board of the Authority in March 2022.

Dated at Honiara, Solomon Islands, this 30th day of June 2023.

For and on behalf of the Board and in accordance with a resolution of the Directors.

Director

Director

SOLOMON ISLANDS WATER AUTHORITY

STATEMENT BY DIRECTORS

In the opinion of the Directors:

(a) the accompanying statement of profit or loss and other comprehensive income of the Authority is drawn up so as to give a true and fair view of the results of the Authority for the year ended 31 December 2021;

(b) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the changes in equity for the year ended 31 December 2021;

(c) the accompanying statement of financial position of the Authority is drawn up so as to give a true and fair view of the state of affairs of the Authority as at 31 December 2021;

(d) the accompanying statements of cash flows of the Authority is drawn up so to give a true and fair view of the cash flows of the Authority for the year ended 31 December 2021;

(e) at the date of this statement there are reasonable grounds to believe the Authority will be able to pay its debts as and when they fall due; and

(f) all related party transactions have been adequately recorded in the books of the Authority.

Dated at Honiara, Solomon Islands, this 30th. day of June 2023.

For and on behalf of the Board and in accordance with a resolution of the Directors.

Director

Director

Solomon Islands
Office of the Auditor-General

Independent Auditor's Report to the Members of Solomon Islands Water Authority

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Solomon Islands Water Authority ("the Authority") which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 26.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis of Opinion

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter - comparative information

I draw attention to Note 26 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2021 and 31 December 2020 have been restated. My opinion is not modified in respect of this matter.

Other Information

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

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

Independent Auditor's Report to the Members of Solomon Islands Water Authority

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Independent Auditor's Report to the Members of Solomon Islands Water Authority

Report on the Audit of the Financial Statements (Continued)

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

Report on Other Legal and Regulatory Requirements

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

In my opinion, except for the effects of the matter I have drawn attention to in the *Emphasis of Opinion* section of my report:

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

ii) to the best of my knowledge and according to the information and explanations given to us, the financial statements give the information required by the Solomon Islands Water Authority Act, 1992, and

iii) the Authority did not comply with the requirements of the State-Owned Enterprises Act 2007, which requires the audited financial statements to be submitted to the Minister within 3 months of the financial year end to which the financial statements related. The signed statements were presented to me on 30 June 2023.

David Teika Dennis
Auditor General
30 June 2023

Office of the Auditor-General
Honiara, Solomon Islands

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 SBD	2020 restated SBD
Continuing operations			
Revenue from contracts with customers	5	118,679,205	98,257,235
Other income (1)	6	15,425,436	19,784,297
		134,104,641	**118,041,532**
Expenses			
Corporate expenses (1)	7	(22,028,311)	(11,754,737)
Depreciation and amortisation		(20,015,935)	(11,409,775)
Salaries and employee benefits	8	(41,503,767)	(33,582,079)
Impairment of financial assets	4 (i)	(11,917,307)	(7,513,150)
Repairs and maintenance		(12,058,804)	(5,874,053)
Tools and uniforms		(2,901,906)	(1,227,548)
Utilities		(27,925,834)	(25,887,837)
Water treatment		(1,936,467)	(1,243,955)
		(140,288,331)	**(98,493,134)**
Finance income	9 (a)	105,643	38,203
Finance costs	9 (b)	(1,086,730)	(1,929,454)
Net (loss) / profit for the year (1)		**(7,164,777)**	**17,657,147**
Other comprehensive income		-	-
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year (1)		**(7,164,777)**	**17,657,147**

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

(1). The comparative information is restated on account of errors. See note 26.

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021	2020 restated	2019 restated
Assets		SBD	SBD	SBD
Current assets				
Cash and cash equivalents	10	30,011,684	28,532,137	9,366,569
Trade receivables	11	22,162,218	16,324,529	15,827,135
Contract assets	12	4,520,881	4,101,076	2,783,803
Debt securities	15	29,771,909	10,000,000	10,000,000
Inventories	13	14,937,209	7,474,971	8,460,042
Other receivables and prepayments	14	5,563,532	3,227,359	3,196,280
		106,967,433	**69,660,072**	**49,633,829**
Non-current assets				
Property, plant and equipment (1)	16	335,157,748	326,455,725	282,219,691
Intangible assets	17	-	-	248,888
Right-of-use assets	18 (i)	4,614,110	3,299,836	2,770,649
		339,771,858	**329,755,561**	**285,239,228**
Total assets		**446,739,291**	**399,415,633**	**334,873,057**
Liabilities				
Current liabilities				
Trade and other payables	19	17,257,628	12,340,372	15,858,666
Employee benefits liability	20	2,262,186	1,607,628	1,379,099
Contract liabilities	12	1,025,206	1,623,186	908,877
Lease liabilities	18 (ii)	1,031,073	891,862	950,344
Deferred revenue (1)	21	3,100,000	3,696,272	3,028,969
Payable to related parties	24 (e)	894,067	184,443	720,464
		25,570,160	**20,343,763**	**22,846,419**
Non-current liabilities				
Lease liabilities	18 (ii)	3,836,880	2,564,534	1,893,974
Employee benefits liability	20	1,390,074	1,254,637	-
Deferred revenue (1)	21	162,830,504	113,087,890	100,978,622
Payable to related parties	24 (e)	33,465,261	35,353,620	-
		201,522,719	**152,260,681**	**102,872,596**
Total liabilities		**227,092,879**	**172,604,444**	**125,719,015**
Equity				
Capital contribution	22	59,625,874	59,625,874	59,625,874
Asset revaluation reserve		104,088,846	104,088,846	104,088,846
Retained earnings (1)		55,931,692	63,096,469	45,439,322
Total equity		**219,646,412**	**226,811,189**	**209,154,042**
Total equity and liabilities		**446,739,291**	**399,415,633**	**334,873,057**

Signed for and on behalf of the Board of Directors.

Director

Director

The statement of financial position is to be read in conjunction with the notes to the financial statements.

(1). The comparative information is restated on account of errors. See note 26.

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Capital Contribution SBD	Asset Revaluation Reserve SBD	Retained Earnings SBD	Total SBD
Balance at 1 January 2020 as previously reported		**59,625,874**	**104,088,846**	**45,439,322**	**209,154,042**
Impact of correction of error	26	-	-	-	-
Restated balance as at 1 January 2020		**59,625,874**	**104,088,846**	**45,439,322**	**209,154,042**
Total comprehensive income for the year					
Profit for the year		-	-	17,657,147	17,657,147
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	17,657,147	17,657,147
Restated balance at 31 December 2020		**59,625,874**	**104,088,846**	**63,096,469**	**226,811,189**
Restated balance at 1 January 2021		**59,625,874**	**104,088,846**	**63,096,469**	**226,811,189**
Total comprehensive income for the year					
Loss for the year		-	-	(7,164,777)	(7,164,777)
Other comprehensive income for the year		-	-	-	-
Total comprehensive loss for the year		-	-	(7,164,777)	(7,164,777)
Balance at 31 December 2021		**59,625,874**	**104,088,846**	**55,931,692**	**219,646,412**

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2021

	Note	2021 SBD	2020 SBD
Operating activities			
Net (loss) / profit		**(7,164,777)**	**17,657,147**
Adjustment to reconcile profit to net cash flows			
Non-cash:			
Amortisation of deferred revenue	6	(3,055,314)	(3,696,272)
Amortisation of discount on interest free loan	9 (b)	-	217,037
Amortisation of discount on low interest loan	9 (b)	872,069	1,431,558
Allowance for doubtful debts	4 (i)	11,917,307	7,513,150
Depreciation and amortisation of assets	16 & 17	20,015,935	11,409,775
Interest expense on lease liability	9 (b)	214,661	203,208
Inventory obsolescence	7	-	1,039,705
Impairment of property, plant and equipment	7	962,444	-
Impairment of cash at bank and term deposits	7	723,128	-
Gain on disposal of property, plant and equipment	6	(224,165)	-
Loss on disposal of property, plant and equipment	7	-	-
Working capital adjustments:			
Non-cash:			
Increase in trade receivables		(17,754,996)	(8,010,544)
Increase in other receivables		(2,336,173)	(31,079)
Increase in contract assets		(419,805)	(1,317,273)
(Increase) / decrease in inventory		(5,809,780)	540,615
(Increase) / decrease in trade and other creditors		4,917,256	(3,518,294)
Movements in employee benefit liabilities	20	789,995	1,483,166
(Decrease) / increase in contract liabilities		(597,980)	714,309
Net cash flows from operating activities		**3,049,805**	**25,636,208**
Investing activities			
Acquisition of plant and equipment	16	(35,811,005)	(55,011,410)
Proceeds from sale of plant and equipment		5,726,747	-
Investment in debt securities	15	(20,099,424)	-
Interest from Debt Invesments		-	2,134,199
Net cash flows used in investing activities		**(50,183,682)**	**(52,877,211)**
Financing activities			
Proceeds from related party borrowings	24 (e)	1,670,792	48,445,148
Repayments of related party borrowings	24 (e)	(3,721,595)	(937,500)
Payment of lease liabilities	18 (a) (ii)	(1,141,816)	(1,101,077)
Receipt of donor grants		52,201,656	-
Net cash flows from financing activities		**49,009,037**	**46,406,571**
Net decrease in cash and cash equivalents		1,875,160	19,165,568
Cash and cash equivalents at the beginning of the year		28,532,137	9,366,569
Cash and cash equivalents at end of year	10	30,407,297	28,532,137

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

1. Reporting entity

Solomon Islands Water Authority (the "Authority") is a state owned enterprise established under the Solomon Islands Water Authority Act 1993. The address of the Authority's registered office is Mendana Avenue, Honiara, Solomon Islands.

The principal activity of the Authority during the year was the treatment and distribution of water in the Solomon Islands. There were no significant changes in the nature of this activity during the year.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 30/6/23.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis except where stated otherwise.

(c) Functional and presentation currency

The financial statements are presented in Solomon Bokolo Dollars (SBD), rounded to the nearest dollar, which is the Authority's functional currency.

(d) Use of estimates and judgments

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

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

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

Depreciation rates	Note 3(f)
Leases - term and discount rate	Note 3(h) (i)
Impairment of financial instruments	Note 3(j) (vi)
Impairment of non-financial asset	Note 3(l)

(e) COVID-19 Impact

As disclosed in the Directors' Report (Significant events during the year), community transmission of Covid-19 was first identified in January 2022 in Solomon Islands. However, the economy began to be impacted with the closure of national borders in early 2020.

As a way of countering the risk of reduced revenue, the Authority invested in a number of staff connected to revenue generation. These included staff in the Non-Revenue Water team, Operations field staff and Collections. The Authority ensured that all staff were fully vaccinated. This minimised the number of staff being severely affected. As per Solomon Islands Government protocols, the Authority insisted on walk-in customers, contractors and consultants also being fully vaccinated. The number of walk-in customers initially decreased due to this requirement thereby affecting collections in the early phase of the Covid-19 community transmission.

Border closures have resulted in specialist consulting skills not being able to be brought in country resulting in the Authority absorbing more risk on projects than it otherwise would. Internal estimates point to a 30% to 40% increase in project costs due to increased materials and shipping costs.

The Authority's COVID-19 Preparedness Resource Plan was severely tested in the advent of the community outbreak and updates were made to protocols.

3. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied to all years presented.

(a) Foreign currencies

Transactions in foreign currencies are initially recorded by the Authority at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

(b) Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Authority recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Water sales	Customers obtain control of water when the goods are delivered to and have been accepted by using the water at their premises. Invoices are generated on a monthly basis and are usually payable within 30 days. No discounts are provided to the customers.
Installation	The Authority charges for service and waste water installation in order to provide water to customers'. This is an up-front fee that the customer pays in order to receive water at their premises. The fees do not transfer a distinct good or service to the customer and therefore is not a separate performance obligation. The fee is included in the transaction price and allocated to the performance obligation identified in the contract, being provision of water to the customer.
Survey	The Authority charges survey fees when a customer applies for a new connection and which relates to the Authority performing a survey to determine whether it will be able to provide water services to the customer based on water pressure and/or land issues in the area where the customer is located. This is charged to customers in order to provide water to their premises. This is an up-front fee. The fees do not transfer a distinct good or service to the customer and therefore is not a separate performance obligation. The fee is included in the transaction price and is allocated to the performance obligation identified in the contract, being provision of water to the customer.

3. Significant accounting policies (continued)

(b) Revenue (continued)

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Plumbing and investigation	The Authority charges plumbing and investigation fee when a customer requests for plumbing works to be carried out after the water meter to their homes. The fees do not transfer a distinct good or service to the customer and therefore is not a separate performance obligation. The fee is included in the transaction price and is allocated to the performance obligation identified in the contract, being provision of water to the customer.
Standing and unmetered	The Authority charges standing fees on a monthly basis which relates to account maintenance and administration. Additionally, the Authority also charges unmetered fees to all domestic and commercial customers on a monthly basis regardless of the usage. The charges are for cases where meters are faulty, connections are connected without a meter due to meter shortages in the stores, meters buried because of landslides or deposits or meters are faulty. These charges continue until the meter is replaced with a functional meter. The fees do not transfer a distinct good or service to the customer and therefore is not a separate performance obligation. The fee is included in the transaction price and is allocated to the performance obligation identified in the contract, being provision of water to the customer.
Reconnection, disconnection, meter testing, service amplification and water and sewer main extension	The Authority charges reconnection fees to reconnect a disconnected customer. Disconnection fee is charged to disconnect services on customer request or due to unpaid balances. The Authority charges meter testing fee when customers request for their meters to be tested to determine if it is working properly. Service amplification fees are charged when customers request for the current smaller sized pipes to be replaced with larger sized pipes due to increase demand. The Authority also charges water and sewer main extension fees when customers request to extend the current waste water service line or to divert the line from its current location. The Authority recognises revenue when the related service is provided to the customer i.e. point-in time.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Authority has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks.

(c) Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as debt securities, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income on the statement of profit or loss and other comprehensive income.

3. Significant accounting policies (continued)

(d) Grants

The Authority recognises an unconditional grant in profit or loss as other income when the grant becomes receivable. Other grants related to non-monetary assets are initially recognised as deferred income at fair value if there is a reasonable assurance that they will be received and the Authority will comply with the conditions associated with the grant. Grants related to the acquistion or construction of assets are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Authority for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which expenses are recognised.

(e) Income taxes

The income and revenue of the Authority is not subject to taxation under the Solomon Islands Water Authority Act 1993.

(f) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any. Costs include expenditure that is directly attributable to the acquisition of the items.

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised in profit or loss.

Subsequent measurement

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The impairment accounting policy for goodwill and intangible assets with indefinite lives similarly applies to other non-financial assets, including property, plant and equipment.

Revaluation of property, plant and equipment

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. Depreciation on revalued assets is charged to profit or loss.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Water systems and plant and equipment are shown at fair value based on valuation by external and independent valuers, revalued by Deloitte (Australia) in 2015. Due to the specialised nature of the assets, the depreciated replacement cost approach was used to assess the fair value of the majority of the water infrastructure assets. The market approach was used to value a small number of mobile plant assets.

3. Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Depreciation

Depreciation is calculated using straight line method subject to the particular asset using rates as follows:

Buildings	2.50% - 5.56%
Water systems	1.27% to 50%
Plant and equipment	5.56% to 50%
Furniture and fittings	16.67% to 20%
Motor vehicles	16.67% to 33.33%

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Refer to Note 16(c) for the changes in estimates for useful life of assets by the Authority during the year.

(g) Intangible assets

Intangible assets comprises of softwares for the Authority. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(h) Leases

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

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Authority allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Authority has elected not to separate non-lease components and account for the leases and non-lease components as a single lease component.

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

3. Significant accounting policies (continued)

(h) Leases (continued)

i. As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Authority by the end of the lease term or the cost of the right-of-use asset reflects that the Authority will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Authority determines its incremental borrowing rate by obtaining interest rates from its financial institution and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

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

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

The Authority presents right-of-use assets and lease liabilities in the statement of financial position.

Short term leases and leases of low-value assets

The Authority has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Authority recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

The Authority does not have any leases where it acts as a lessor.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. Significant accounting policies (continued)

(j) Financial instruments

i. Recognition and initial measurement

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

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

ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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

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

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

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

Financial assets: Business model assessment

The Authority makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Authority's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de recognition are not considered sales for this purpose, consistent with the Authority's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3. Significant accounting policies (continued)

(j) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Authority considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Authority considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- Terms that limit the Authority's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de recognition is recognised in profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

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

iii. Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Authority's statement of financial position) when:

- The rights to receive cash flows from the asset have expired: or
- The Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Authority has transferred substantially all the risks and rewards of the asset, or (b) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. Significant accounting policies (continued)

(j) Financial instruments (continued)

iii. Derecognition (continued)

Financial assets (continued)
When the Authority has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Authority continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained.

Financial liabilities

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

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

iv. Modifications of financial instruments
If the terms of financial instruments are modified, the Authority evaluates whether the cash flows of the modified instrument are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset and liability are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified instrument carried at amortised cost are not substantially different, then the modification does not result in de recognition of the financial asset and liability. In this case, the Authority recalculates the gross carrying amount of the financial asset and liability, and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

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

vi. Impairment
The Authority recognises loss allowances for ECLs on financial assets measured at amortised cost.

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

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

3. Significant accounting policies (continued)

(j) Financial instruments (continued)

vi. Impairment (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Authority considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Authority's historical experience and informed credit assessment and including forward-looking information.

The Authority assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Authority considers a financial asset to be in default when:

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Authority expects to receive); and
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the customers or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a receivable by the Authority on terms that the Authority would not consider otherwise;
- it is probable that the customer will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

3. Significant accounting policies (continued)

(j) Financial instruments (continued)

vi. Impairment (continued)

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

(k) Inventories
Inventories are valued 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 acquiring the inventories and bringing them to their existing location and condition.

A provision for stock obsolescence is established where there is objective evidence that the Authority will not be able to collect the cost of inventory due to obsolescence or damage. Provision is raised on a specific basis based on the condition of the inventory. The carrying amount of inventories is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When an inventory item is obsolete or damaged, it is written off against the allowance account.

(l) Impairment of non-financial assets
Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

Property, plant and equipment	Note 3(f)
Intangible assets	Note 3(g)

The Authority assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Authority estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Authorities of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Authority bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Authority's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

3. Significant accounting policies (continued)

(l) Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Authority estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(m) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and cash on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

(n) Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(o) Employee entitlements

Provisions are made for wages and salaries, incentive payments and annual leave estimated to be payable to employees at balance date on the basis of statutory and contractual requirements.

i. Defined contribution plans

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Authority deducts and pays 5 per cent of the employees' gross salaries and contributes 7.5 per cent of employee's gross salaries to the Solomon Islands National Provident Fund. Obligations for contributions are recognised as employee benefit expense in profit or loss in the period during which services are rendered by employees.

ii. Short term benefits

Short-term employee benefit are measured on an undiscounted basis and are expensed in the profit or loss as the related services is provided.

(p) Trade and other payables

Liabilities for trade creditors and other amounts are at cost (inclusive of Consumption Tax where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Authority. Amounts payable that have been denominated in foreign currencies have been translated to local currency using the rates of exchange ruling at the end of the financial period.

3. Significant accounting policies (continued)

(q) Comparative figures

Certain comparative amounts have been restated, rectified and represented as a result of a correction of period period error. (See Note 26).

(r) New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Authority has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Authority's financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Definition of a Business (Amendments to IFRS 3).
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice statement 2)
- Definition of accounting estimates (Amendments to IAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendment to IAS 12)
- Insurance contracts (Amendment to IFRS 17)

4. Financial risk management

Overview

The Authority has exposure to the following financial risks:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Authority's risk management framework. The Authority's risk management policies are established to identify and analyse 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.

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

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

4. Financial risk management (continued)

(i) Credit risk

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

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

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	2021 SBD	2020 SBD
Impairment loss on trade receivables and contract assets arising from contracts with customers	11,917,307	7,513,150

Trade receivables and contract assets

Customer credit risk is managed subject to the Authority's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and water services disconnected where domestic and commercial accounts are outstanding greater than 30 days.

An impairment analysis is performed at each reporting date collectively for all customer accounts. The calculation is based on actual incurred historic data. The carrying amount of financial assets represent the maximum exposure. The Authority evaluates the concentration of risk with respect to trade receivables as high.

Expected credit loss assessment for trade receivables and contract assets

The Authority uses a provision matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December.

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit impaired
31 December 2021	**SBD**	**SBD**	**SBD**	**SBD**
Current (not past due)	23.28%	7,372,919	1,716,460	5,656,459
31 - 60 days past due	38.25%	6,320,945	2,417,858	3,903,087
61 - 90 days past due	57.26%	5,287,087	3,027,646	2,259,441
More than 90 days past due	65.80%	30,239,685	19,896,454	10,343,231
		49,220,636	27,058,418	22,162,218
31 December 2020				
Current (not past due)	23.37%	5,432,522	1,269,588	4,162,934
31 - 60 days past due	38.40%	3,789,026	1,454,935	2,334,091
61 - 90 days past due	57.49%	2,048,417	1,177,536	870,881
More than 90 days past due	56.71%	22,171,757	13,215,134	8,956,623
		33,441,722	17,117,193	16,324,529

4. Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

Expected credit loss assessment for trade receivables and contract assets (continued)

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Authority's view of economic conditions over the expected lives of trade receivables. Scalar factors are based on actual and forecast GDP growth rates.

Movements in the allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows.

	2021	2020
	SBD	SBD
Balance at 1 January	17,117,193	14,600,564
Amounts written off	(1,976,082)	(4,996,521)
Impairment charge for the year	11,917,307	7,513,150
Balance at 31 December	27,058,418	17,117,193

Cash and cash equivalents

The Authority held cash and cash equivalents of SBD 30,383,015 (2020: SBD28,508,855). Cash and cash equivalents are held with banks which are rated A- and B- based on Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects short term maturities of the exposures.

The amount of impairment allowance at 31 December 2021 was SBD 395,613 Nil (2020: SBD Nil).

Debt securities

The Authority held debt investment securities of SBD 30,099,424 at 31 December 2021 (2020: SBD 10,000,000). The debt investment securities are held with institutions which are rated A- based on Standard & Poor's credit ratings. In relation to debt investment securities held with these institutions, the Authority monitors changes in credit risk by tracking published external credit ratings but when external credit ratings are not available or published, the Authority monitors changes in credit risk by reviewing available press and regulatory information.

Impairment on debt investment securities held with banks has been measured on the 12 month expected loss basis. The Authority considers that its cash have low credit risk ratings of the counterparties.

The Authority recognised an impairment allowance against debt securities as at 31 December 2021 amounting $327,515 (2020: SBD Nil)

(ii) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

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

4. Financial risk management (continued)

(ii) Liquidity risk (continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date, based on contractual undiscounted payments.

		Contractual cash flows		
31 December 2021	**Carrying amount**	**Less than 1 year**	**1 - 2 years**	**More than 2 years**
Trade and other payables	17,257,628	17,257,628		-
Payable to related parties	34,359,328	470,227	1,081,930	32,807,171
Lease liabilities	4,867,953	1,265,178	1,265,178	6,167,243
	56,484,909	18,993,033	2,347,108	38,974,414
31 December 2020				
Trade and other payables	12,340,372	12,340,372	-	-
Payable to related parties	35,353,620	467,857	1,087,441	60,127,766
Lease liabilities	3,456,396	1,052,778	1,041,513	5,112,435
	51,150,388	13,861,007	2,128,954	65,240,201

(iii) Market risk

Currency risk

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

Interest rate risk

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

The Authority has invested in debt securities with Bred Bank and borrowings with ADB and World Bank. These are at a fixed interest rate during the term of the instruments.

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

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

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		2021 SBD	2020 SBD
5.	**Revenue from contracts with customers**		
	Water sales	109,379,542	91,657,409
	Standing and unmetered	8,357,743	6,205,639
	Reconnection, disconnection, meter testing, service amplification, water & sewer main extension	941,920	394,187
		118,679,205	98,257,235
6.	**Other income**		
	Amortisation of deferred revenue	3,055,314	3,696,272
	Bad debts recovered	1,197,168	1,521,569
	Concessional loan grant income	13,347	3,881,619
	Miscellaneous income	106,822	133,387
	Solomon Islands Government - CSO grant	3,100,000	3,776,642
	Solomon Islands Government - COVID-19 Stimulus package	-	4,585,233
	Special project income - SPG	6,645,857	2,189,575
	New Zealand Government Ministry of Foreign affairs Grant	166,040	-
	Gain on Sale of Fixed Assets	224,165	-
	Gain on revaluation of loans with ADB and World Bank	916,723	-
		15,425,436	19,784,297
7.	**Corporate expenses**		
	Accounting fees	326,801	86,160
	Advertising	313,055	249,124
	Impairment of cash water meters (Refer Note 16)	962,444	-
	Auditors' remuneration	453,337	256,990
	Bank fees and charges	119,974	40,559
	Board allowances	94,683	81,800
	Consultant fees	1,612,706	2,347,939
	Impairment expenses on Cash at Bank and Term Deposit	723,128	-
	Insurance	884,058	714,562
	Inventory obsolescence	-	1,039,705
	Lease rentals	2,006,471	227,936
	Legal fees	268,477	29,867
	Other expenses	5,773,544	2,479,678
	Printing, freight and stationery	2,613,615	1,127,795
	Software training and computer consumables	2,349,533	1,151,120
	Telephone	1,745,936	1,345,871
	Travel and transport	1,338,944	575,631
	Water meters	441,605	-
		22,028,311	11,754,737

		2021 SBD	2020 SBD
8.	**Salaries and employee benefits**		
	Wages and salaries, including leave benefits	15,829,305	12,428,066
	Key management personnel - short term benefits	10,371,244	8,471,349
	Key management personnel - Superannuation contributions	904,044	970,894
	Superannuation contributions	1,720,335	1,449,917
	House rentals and allowances	12,678,839	10,261,853
		41,503,767	33,582,079
9.	**Finance income and finance costs**		
(a)	**Finance income**		
	Interest income	105,643	38,203
(b)	**Finance cost**		
	Amortisation of discount - SIEA loan	-	217,037
	Interest expense - lease liability	214,661	203,208
	Realised foreign exchange loss	-	77,651
	UWSSSP ADB concessional loan - interest	640,442	899,445
	UWSSSP World Bank concessional loan - interest	231,627	532,113
		1,086,730	1,929,454
10.	**Cash and cash equivalents**		
	Cash at bank	30,383,015	28,508,855
	Provision for impairment of cash at bank	(395,613)	-
		29,987,402	28,508,855
	Cash on hand	24,282	23,282
	Cash and cash equivalents as per statement of cash flows	30,011,684	28,532,137
11.	**Trade receivables**		
	Trade receivables	49,220,636	33,441,722
	Provision for impairment of receivables	(27,058,418)	(17,117,193)
		22,162,218	16,324,529
	Movements in the provision for impairment of receivables were as follows:		
	Opening balance	(17,117,193)	(14,600,564)
	Charge for the year	(11,917,307)	(7,513,150)
	Utilised during the year	1,976,082	4,996,521
	Closing balance	(27,058,418)	(17,117,193)

12. Contract balances

Contract balances have arisen from IFRS 15 *Revenue from contracts with Customers.*

	2021 SBD	2020 SBD
Contract assets	4,520,881	4,101,076
Contract liabilities	(1,025,206)	(1,623,186)
	3,495,675	2,477,890

The contract assets primarily relate to the Authority's rights to consideration for services provided but not billed at the reporting date on water sales. The contract assets are transferred to receivables when the billing cycle is completed and Authority has issued an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers for water sales and new meter connections for which revenue is recognised at a point in time when the services has been rendered. This will be recognised as revenue when the services are rendered to the customers, which is expected to occur in the subsequent period.

13. Inventories

	2021 SBD	2020 SBD
Stores and consumables	14,937,209	9,127,429
Provision for inventory obsolescence	-	(1,652,458)
	14,937,209	7,474,971

Provision for inventory obsolescence		
Balance at 1 January	(1,652,458)	(893,783)
Provision created during the year	-	(1,039,705)
Provision utilised during the year	-	281,030
Provision reclassed to water systems impairment	1,652,458	-
Balance at 31 December	-	(1,652,458)

14. Other receivables and prepayments

	2021 SBD	2020 SBD
Grant receivable - ADB UWSSSP	883,091	85,958
Other debtors	3,126,200	543,407
Prepayments	1,554,241	2,597,994
	5,563,532	3,227,359

15. Debt securities

	2021 SBD	2020 SBD
Term deposits	30,099,424	10,000,000
Provision for IFRS 9 impairment of cash at bank	(327,515)	-
	29,771,909	10,000,000

The interest rates on term deposits are as follows.The deposits have a maturity of 180 days (2020: 180 days).

Bank	Interest	2021 SBD	2020 SBD
Bred Bank	1%	10,099,424	10,000,000
BSP Bank	1%	10,000,000	-
BSP Bank	0.75%	5,000,000	-
BSP Bank	0.20%	5,000,000	-
		30,099,424	10,000,000

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16. Property, plant and equipment

	Water Systems SBD	Land and Buildings SBD	Machinery, Equipment and Computers SBD	Motor vehicles SBD	Furniture and Fittings SBD	Work in Progress SBD	Total SBD
Cost							
Balance at 1 January 2020 - restated	310,847,289	22,988,179	11,778,186	11,859,980	862,638	22,407,362	380,743,634
Additions - restated	17,911,585	13,780,485	299,289	1,601,244	38,094	21,380,713	55,011,410
Write-off	(744,061)	-	-	-	-	-	(744,061)
Balance at 31 December 2020 - restated	328,014,813	36,768,664	12,077,475	13,461,224	900,732	43,788,075	435,010,983
Balance at 1 January 2021 - restated	328,014,813	36,768,664	12,077,475	13,461,224	900,732	43,788,075	435,010,983
Additions	1,278,226	-	1,613,651	8,213,338	-	24,705,790	35,811,005
Disposals	-	-	-	(892,800)	-	(5,455,914)	(6,348,714)
Transfers	3,119,600	3,564,168	135,511	-	-	(6,819,279)	-
Balance at 31 December 2021	332,412,639	40,332,832	13,826,637	20,781,762	900,732	56,218,672	464,473,274
Accumulated depreciation							
Balance at 1 January 2020	72,904,799	4,173,865	10,943,063	10,034,775	467,441	-	98,523,943
Depreciation	8,274,980	1,044,536	234,953	542,767	82,891	-	10,180,127
Disposals	(148,812)	-	-	-	-	-	(148,812)
Balance at 31 December 2020	81,030,967	5,218,401	11,178,016	10,577,542	550,332	-	108,555,258
Balance at 1 January 2021	81,030,967	5,218,401	11,178,016	10,577,542	550,332	-	108,555,258
Depreciation	8,347,387	1,569,264	584,988	1,174,713	84,577	-	11,760,929
Write-Down (refer Note 16 (a))	7,230,570	-	-	-	-	-	7,230,570
Disposals	-	-	-	(846,133)	-	-	(846,133)
Transfers from inventory	1,652,458	-	-	-	-	-	1,652,458
Impairment (refer Note 16 (b))	962,444	-	-	-	-	-	962,444
Balance at 31 December 2021	99,223,826	6,787,665	11,763,004	10,906,122	634,909	-	129,315,526
Carrying amounts							
At 1 January 2020 - restated	237,942,490	18,814,314	835,123	1,825,205	395,197	22,407,362	282,219,691
At 31 December 2020 - restated	246,983,846	31,550,263	899,459	2,883,682	350,400	43,788,075	326,455,725
At 31 December 2021	233,188,813	33,545,167	2,063,633	9,875,640	265,823	56,218,672	335,157,748

16. Property, plant and equipment (continued)

(a) Accelerated depreciation / Write-downs

During 2021, the Authority inspected all its cash water meters which resulted in a large number of V12 cash water meters being identified as faulty. The faulty electronic component was stripped down and these meters were used as post-paid meters. The Authority accelerated the depreciation on these respective meters by reducing the useful life from 10 years to 2 years, resulting in a depreciation write-down of $7,230,570.

(b) Impairment loss

During 2021, the Authority reclassed V12 cash water meters and its provision of $1,652,458 from inventory to property, plant and equipment under the water systems asset class. Additional impairment of $962,444 was booked for V12 cash water meters that were identified to be faulty and returned to the supplier (not yet received back by the Authority) in 2021. Thus, the total impairment on the V12 cash water meters was $2,614,902.

(c) Change in estimate

In accordance with its policy, the Authority reviews the estimated useful lives of its property, plant and equipment on an ongoing basis. During the year, the Authority conducted a review of the estimated useful lives of its property, plant and equipment. This review indicated that the actual lives of cash water meters recorded under water systems category of property, plant and equipment were shorter than the estimated useful lives used for depreciation purposes in the Authority's financial statements. As a result, effective 1 January 2021, the Authority changed its estimates of useful lives of the above mentioned asset to better reflect the estimated periods during which these assets will remain in service. The effect of this change in estimate increased the 2021 depreciation expense for the Authority by a net amount of $7,230,570.

17. Intangible assets	**2021 SBD**	**2020 SBD**
Cost		
Balance at 1 January	879,690	879,690
Balance at 31 December	879,690	879,690
Accumulated amortisation		
Balance at 1 January	879,690	630,802
Amortisation expense during the year	-	248,888
Balance at 31 December	879,690	879,690
Carrying amount as at 31 December	-	-

18. Leases

As a lessee

The Authority leases assets including office spaces and land for its depot and water source and storage locations. Information about leases for which the Authority is a lessee is presented below.

(i) Right-of-use assets	**2021 SBD**	**2020 SBD**
Balance at 1 January	3,299,836	2,770,649
Additions during the year	2,338,711	1,509,947
Depreciation charge during the year	(1,024,437)	(980,760)
Balance at 31 December	4,614,110	3,299,836

18. Leases (continued)
As a lessee (continued)

(ii) Lease liabilities

	2021 SBD	2020 SBD
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,265,178	1,052,778
One to five years	2,693,126	1,332,245
More than five years	4,739,295	4,821,703
Total undiscounted liabilities at 31 December	8,697,599	7,206,726
Lease liabilities included in the statement of financial position at 31 December		
Current	1,031,073	891,862
Non-current	3,836,880	2,564,534
	4,867,953	3,456,396
Amounts recognised in profit or loss		
Depreciation expense	1,024,437	980,760
Interest on lease liabilities	214,661	203,208
Variable lease payments not included in the measurement of lease liabilities	2,006,471	227,936
	3,245,569	1,411,904
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	1,052,778	1,101,077

Real estate lease

The Authority leases buildings for its office space, customer service and bill-pay centre while land is leased for depots, warehouses, borehole and reservoir sites.

The lease for office space, customer service and bill-pay centre was renewed in August 2021 and runs through to 31 December 2024. During the year the Authority expanded its rental space which increased the lease liability on this lease. This factor, plus additional land titles acquired during the year resulted in an increase in lease liability of $1,411,557 over the prior year. Leases for land typically run for a period of fifteen to seventy-five years with no option to renew lease as per the lease agreements.

	2021 SBD	2020 SBD
19. Trade and other payables		
Trade payables	1,000,418	610,883
Other payables	10,185,364	6,155,584
Water deposits	6,071,846	5,573,905
	17,257,628	12,340,372
20. Employee benefit liability		
Annual leave	2,262,186	1,607,628
Long service benefit	618,165	563,973
Long service leave	771,909	690,664
	3,652,260	2,862,265
Balance at the beginning of year	2,862,265	1,379,099
Net movement during the year	789,995	1,483,166
Balance at the end of year	3,652,260	2,862,265

21. Deferred Revenue

	2021 SBD	2020 SBD
Donor Funds Received for Capital Projects and Spent		
Asian Development Bank	34,758,092	20,851,933
Australian Government Department of Foreign Affairs and Trade	42,749,350	12,245,119
Japan International Cooperation Agency	76,427,563	78,982,338
Solomon Islands Government	4,469,232	4,704,772
New Zealand Ministry of Foreign Affairs and Trade (MFAT)	7,526,267	-
	165,930,504	116,784,162
As disclosed in the statement of financial position:		
Current	3,100,000	3,696,272
Non-current	162,830,504	113,087,890
	165,930,504	116,784,162

In 2021 the Authority received grants of about $31 million from the Australian Government to assist vulnerable communities in Honiara and provinces and about $8 million from the New Zealand Government as support for Non-Revenue Water activities. The Authority received a further $ 7 million grant from Asian Development Bank under the Urban Water Supply and Sanitation Sector Project (UWSSSP) funding package. The Australia and New Zealand grants were accounted for by receipt of cash with corresponding entries to deferred revenue. The UWSSSP grant was accounted as Work-in-progress with a corresponding amount to deferred income.

22. Contributed capital

	2021 SBD	2020 SBD
Contributed capital	59,625,874	59,625,874

Capital represents Government's contribution on the establishment of Solomon Islands Water Authority.

23. Commitments and contingent liabilities

Contingent liabilities

- Several former employees of the Authority has filed complaints in the Trade Disputes Panel claiming compensation for unfair dismissal. The Authority is defending the claim which is still pending.
- The Authority together with the Solomon Islands Government are claimants in a High Court Civil Case 339/16 against a group of landowners regarding access to a water source. The case is still pending. There is no financial claim against the Authority.
- In High Court Civil Case 232/18 the Authority is being sued by customary landowners over extraction of and from disputed land. The claim is for about SBD 150,000. The Authority does not dispute owing the money but there is a dispute among landowners as to who is entitled to the money. The case is still pending. The Authority has accrued an amount of SBD 150,000 as part of other payables for the claim.
- The Authority together with the Solomon Islands Government are claimants in a High Court Civil Case 339/16 against a group of landowners regarding access to a water source. The case is still pending. There is no financial claim against the Authority.
- A couple are claiming the Authority trespassed their property when the Authority, following the Government's declaration of the land as a water catchment area, used the land to supply water to residents of East Honiara. The claim was for $10,850,000. The couple have since offered to settle out of court for SBD 17,600,000.

24. Related party transactions

(a) Directors

The names of persons who were directors of Solomon Islands Water Authority at any time during the financial year are as follows:

Carson Korowa	Board Chairman (resigned on 25 November 2021)
Cynthia Wickham	Deputy Chair
Trevor Palmer	Board member (resigned on 24 November 2021)
Donald Marahare	Board member (Appointed Chairman 20 April 2022)
John Belande	Board member
Gloria Hong	Board member
Dr William Parairato	Board member
Anthony Makabo	Board Member
George Rausi	Board Member

(b) Controlling entities

The ultimate parent of the Authority is the Solomon Islands Government. The Government has control over the Authority.

(c) Compensation of key management personnel	2021 SBD	2020 SBD
Short term employee benefits	10,371,244	8,471,349
Superannuation contributions	904,044	970,894
	11,275,288	9,442,243

(d) Transactions with related parties

Transactions with related parties during the year ended 31 December with approximate transaction value are summarised as follows:

Controlling entity	2021 SBD	2020 SBD
Solomon Islands Government - COVID-19 Stimulus package	-	5,000,000
Solomon Islands Government - CSO grant	3,100,000	3,776,642
	3,100,000	8,776,642
Directors		
Directors remuneration and expenses	94,683	81,800

(e) Amount owed to related parties

Current		
Solomon Islands Electricity Authority	1	1
Solomon Islands Government - Asian Development Bank Loan	662,439	142,821
Solomon Islands Government - World Bank Loan	231,627	41,621
	894,067	184,443
Non-current		
Solomon Islands Government - Asian Development Bank Loan	22,595,582	22,677,786
Solomon Islands Government - World Bank Loan	10,869,679	12,675,834
	33,465,261	35,353,620

On 1 January 2020, the Authority entered into a concessional loan agreement with Solomon Islands Government for the funding of Urban Water Sanitary Supply and Sanitation Project (UWSSS Project). A maximum of SBD 353,037,767 subsidiary credit has been made available to the Authority which is for a term of 15 years. Principal repayments will commence in 2025 and interest payments on drawdowns are made semi-annually at the rate of 0.75% and 1.5% for the World Bank and Asian Development Bank respectively. Payments are made directly to contractors and suppliers to the Authority and recognised as a receivable once conditions of the loan have been satisfied.

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25. Subsequent events

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Authority, the results of those operations, or ths state of affairs of the Authority in future financial years.

26 Correction of errors

During the financial period, the Authority identified that the consultancy fees on the UWSSP capital project have been erroneously expensed in the respective period incurred instead of being capitalized in the cost of property, plant and equipment (PPE).The Authority assessed that these costs are directly attributable expenditure to bringing the asset to the location and condition necessary for its intended use and hence should be included in the cost of the relevant item of PPE. Additionally, the UWSSP capital project is donor funded via a grant and accordingly an income was erroneously recognised when the grant became receivable which was when the Authority incurred the consultancy cost. As a consequence, other income and consultancy expenses have been overstated while property, plant and equipment, deferred income and retained earnings have been understated.

The prior period error highlighted above have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Authority's financial statements.

i **Statement of Financial Position**

	Impact of correction of eror					
	As previously reported		Adjustments		As restated	
	2020	2019	2020	2019	2020	2019
	SBD	SBD	SBD	SBD	SBD	SBD
Property, plant and equipment	306,581,840	277,241,287	19,873,885	4,978,404	326,455,725	282,219,691
Total non-current assets	309,881,676	280,260,824	19,873,885	4,978,404	329,755,561	285,239,228
Total Assets	**379,541,748**	**329,894,653**	**19,873,885**	**4,978,404**	**399,415,633**	**334,873,057**
Employee benefits	2,862,265	1,379,099	(1,254,637)	-	1,607,628	1,379,099
Total current liabilities	**21,598,400**	**22,846,419**	**(1,254,637)**	-	**20,343,763**	**22,846,419**
Employee benefits	-	-	1,254,637	-	1,254,637	-
Deferred revenue	93,770,842	96,000,218	19,317,048	4,978,404	113,087,890	100,978,622
Total non-current liabilities	**131,688,996**	**97,894,192**	**20,571,685**	**4,978,404**	**152,260,681**	**102,872,596**
Total liabilities	**153,287,396**	**120,740,611**	**19,317,048**	**4,978,404**	**172,604,444**	**125,719,015**
Retained earnings	62,539,632	45,439,322	556,837	-	63,096,469	45,439,322
Total equity	**226,254,352**	**209,154,042**	**556,837**	-	**226,811,189**	**209,154,042**
Total equity and liabilities	**379,541,748**	**329,894,653**	**19,873,885**	**4,978,404**	**399,415,633**	**334,873,057**

ii **Statement of Profit or Loss and Other Comprehensive Income**

	Impact of correction of error		
	As previously reported	Adjustment	As restated
For the year ended 31 December 2020	SBD	SBD	SBD
Other income	34,122,941	(14,338,644)	19,784,297
Corporate expenses	(26,650,218)	14,895,481	(11,754,737)
Net profit for the year	17,100,310	556,837	17,657,147
Total comprehensive income for the year	17,100,310	556,837	17,657,147

iii **Statement of cash flows**

There is no impact on the statement of cash flows for the year ended 31 December 2020.

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