SOLOMON ISLANDS WATER AUTHORITY

Annual Report 2014

'Safe water for a healthy nation'

Solomon Water

Safe water for a healthy nation

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 improvements.*

Customer Focused — *We aim to excel 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.*

27st May 2015

Hon. Snyder Rini, MP
Minister for Finance & Treasury
Ministry of Finance & Treasury
P O Box 26
Honiara

Hon. David Day Pacha, MP
Minister for Mines, Energy & Rural Electrification
Ministry of Mines, Energy & Rural Electrification
P O Box G37
Honiara

Dear Ministers,

In accordance with the provisions of the Section 14 (1)(a)(b) of the State Owned Enterprises Act 2007, I submit to you the 2014 report on the operations and audited financial statements of Solomon Islands Water Authority.

Yours sincerely,

Phil Bradford
Chairman

CHAIRMAN'S FOREWORD

It is my pleasure as the Chairman of the Solomon Islands Water Authority (SIWA) to submit to you the 2014 Annual Report for the Solomon Islands Water Authority, trading as Solomon Water.

This Annual Report covers the period of 1st January to 31st December 2014. It identifies the mission, vision of the Authority and describes the governance structure. The report presents the achievements and challenges experience during the year and the steps the Authority wish to take so to advance its objectives.

The Solomon Islands Water Authority is one of the State Owned Enterprises that provides an essential infrastructure in the country and plays a central role in the delivery of urban water supply and wastewater services in Solomon Islands. At present it provides services in Honiara, and to provincial urban centres of Auki, Noro and Tulagi.

For myself and the Board members, it is gratifying to see the progress SIWA has made last year in efficient service delivery and organizational management, as well as our response to the April floods. Our achievements were recognized when SIWA was a winner of the Disaster Resilience Award at the Pacific Regional Water and Waste Association 2014 Annual Meeting.

It is a compliment to the management and staff of the organization that the 2013 Financial Statements issued with an unqualified status by the Auditor General. This was a first for the organsiation , and we expect the 2014 report to be the same and that such reports reflect the progress we make each year towards our *Statement of Corporate Objectives 2014-2016.*

I feel I must make special mention of Ray Andresen in this short message to introduce our achievements in 2014. As Operations Manager, Ray had to step into the position of acting GM and did the job ably. Ray has been with SIWA for many years and I have greatly appreciated his assistance to me since my appointment as Chairman going on 5 years ago, well done Ray.

I would also like to thank our donors JICA and DFAT and the governments of Japan and Australia respectively for their ongoing support in providing water to citizens of the Solomon Islands.

I look forward to the future of SIWA and commend to you this report.

Phil Bradford
Chairman

GENERAL MANAGER'S OVERVIEW

This year marks our first Annual Report to accompany our 2014 Financial Statements. It was a particularly challenging year, due to the damage to our facilities caused by the unprecedented flooding in Honiara in April.

The floods meant that 80% of water capacity was rendered inoperative. Staff worked long hours and in difficult conditions to manage the crisis and restore water supply as quickly as possible. We managed to restore 60% of our capacity within 3 days, with the remaining 20% restored within 10 days, which is a remarkable response to the challenge. I would like to thank the New Zealand Government for airlifting of critical fittings to repair the Kongulai Gravity mains during this time.

In the same year we responded to crisis, we also made critical progress towards our corporate objectives. For the first time, the Auditor General has issued the 2013 Financial Statements with the "unqualified" status. This was a major achievement for the organization and its finance and administration team in particular.

SIWA improved the capacity of the network in September when the JICA-funded Project for the Improvement of Water Supply Systems in Honiara and Auki was handed over to SIWA. The project provides us with an additional capacity of 12.8 megalitres of water per day enabling us to deliver more water to customers who have not received regular supply of water before. Many thanks to JICA for their funding and technical support that made this progress possible.

Progress was made towards reducing non-revenue water loss thanks to a JICA-funded pilot project. Non-revenue water (water for which revenue is not collected due to leaks, illegal connections and other issues) is still very high at 64%. However, the pilot demonstrated it is possible to reduce non-revenue water by 30% or more in 15 areas in Honiara. SIWA is now using these findings to further reduce water loss and increase revenue.

Human Resources were strengthened through training of selected staff in Tools for Change Management. Staff were also awarded 'Train the Trainer' certificates through the Australia-Pacific Technical College. Significant improvements were also made to our operational transport, information and technology equipment and security fencing thanks to the Australian Government through funding provided to support the Two Year Development Plan.

Despite these improvements there remain significant challenges. Regarding finance, electricity costs and debt collection remain problematic. In order for SIWA to continue to run and improve water services customers and organizations must pay their water bills in time and in full.

On a sad note, 2014 saw the tragic death of Billy Belden, operations support officer in an accident. It was a reminder of the importance of workplace safety and road safety. SIWA management is determined to implement a comprehensive approach to Occupational Health and Safety in the workplace.

Overall, this year SIWA showed improvements in water coverage, quality of service in terms of water continuity and drinking water compliance and financial performance based on the Pacific Water and Wastes Association Utility Benchmarking indicators. However, there is still much more to be done.

I would like to take this opportunity to thank the Chairman and the Board of Directors for their direction and guidance, my colleague managers and staff of SIWA for their teamwork in what has been a challenging year. A special thank you must also go to our Former General Manager Richard Austin who has lead the organization since 2011 and made significant improvements and change to this time.

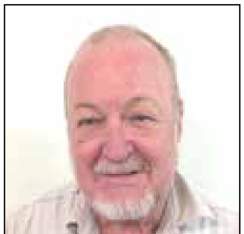
Ray Andresen
Acting General Manager

ABOUT THE BOARD

The oversight of the Solomon Islands Water Authority (SIWA) is vested on the Board of Directors that were appointed under the section 3 to 16 of the SOE regulations 2010. The Board of Directors is responsible for the policy formulation, supervision of the operations and general administration of the affairs of SIWA.

Directors for 2014 are: Mr Phil Bradford (Chairman), Mr David Laurie (Deputy Chairman) Mrs Ethel Frances (Director) Mr Trevor Palmer (Director) Mrs Janet Marau (Director) and Mr Carson Korowa (Director). Ms Antoinette Wickham (Director) resigned on 25th February 2014.

Board of Directors


Chairman Phil Bradford


David Laurie


Carson Korowa


Trevor Palmer


Ethel Frances


Janet Marau

The organization has 150 staff in four teams, operating under the management of the General Manager and oversight of the Board of Directors.

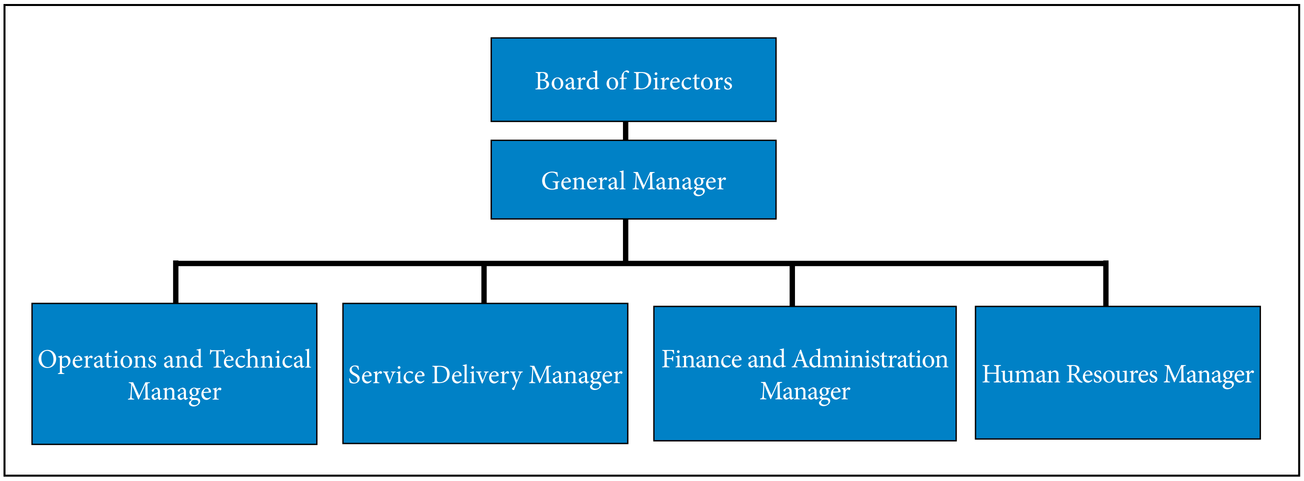


Figure 1 – SIWA's Organisational Structure

OPERATIONS AND TECHNICAL

IMPROVING THE CAPACITY OF THE NETWORK

In 2014 the average hours of water supply was approximately 20 hours per day compared to 16 hours per day in 2013. The process of improvements were a result of additional water being made available from Kongulai through the DFAT-funded Rapid Action Plan upgrade of pumps there and the introduction of the JICA-funded project for the Improvement of Water Supply Systems in Honiara and Auki in September 2014. The project provided an additional capacity of 12.8 megalitres of water per day and supplied water to customers who have not received regular supply of water before. The improvements are illustrated in Figure 2.

The capacity of the network was seriously hit by the April floods in Honiara. 80% of water capacity was rendered inoperative. Staff worked long hours and in difficult conditions to restore water supply as quickly as possible. 60% of capacity was restored within 3 days, a critical intervention coming from the New Zealand Government, which airlifted fittings to repair the Kongulai Gravity mains, which supplies part of West Honiara. In recognition of our performance, the Pacific Water and Wastes Association awarded SIWA their Disaster Resilience Award for 2014.

The volume of water that SIWA produced in 2014 (12,261 ML) is 21% more than the amount of water produced in 2013 (10, 140 ML). This is predominantly resulting from the additional water sourced from 19 bore holes constructed by Kitano under the JICA Grant Aid Project, 16 in Honiara and 3 in Auki. Surface water sources contribute 61% toward the total production and groundwater only 39%.

The total volume of water produced in 2014 is sufficient to serve a population double the size of the current population served (68,900). If this volume is distributed among the total population living within the service area (84,900), every individual would have enjoyed 400 litres per day which is more than double the Pacific Utility target of 150 litres per day.

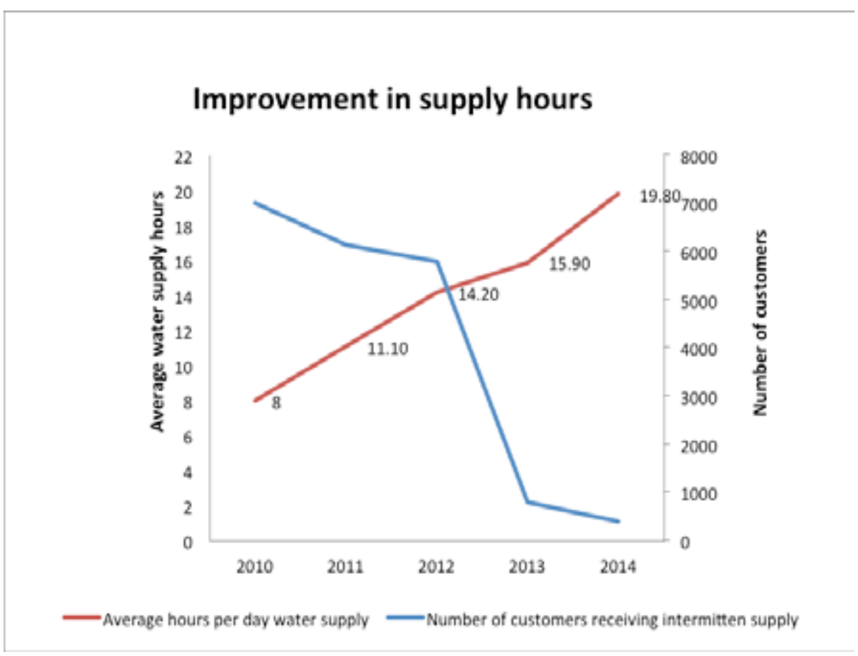


Figure 2: Improvement in water supply

REDUCING NON-REVENUE WATER LOSSES

Non Revenue Water continues to be a major challenge for the organisation. The JICA technical cooperation project has demonstrated in 15 pilot areas throughout Honiara that it is possible to reduce this water loss by at least 30% from its original levels. The key objective of the technical assistance to improve SIWA's technical and managerial capacity to reduce non-revenue water. SIWA is now close to being independent in successfully implementing a program of systematic non-revenue water reduction across Honiara.

In the last quarter of 2014, SIWA with the assistance of the JICA, started the shift to development of 28 District Metering Areas (DMA's) in Honiara. District Metering Area are discrete zones created to manage leakages. The first DMA developed is in Lengakiki and after SIWA implemented countermeasures, non-revenue water was reduced to 25%. Details are illustrated in Figure 3.

IMPROVING OPERATIONAL AND TECHNICAL MANAGEMENT

In order to better manage the operations and technical division, the first phase of an organsational restructure took place in early 2014. The restructure is to align skills and work teams for each of the activities in network operation, network maintenance, non-revenue water reduction, leakage detection, capital works and Provincial operations.

As part of the ongoing development of the team, a Water Supply Operations Advisor and Water Supply Maintenance Advisor were recruited in the last quarter of 2014. Their primary tasks are to review and develop the current capabilities and procedures, and provide best practice training and mentoring of staff.

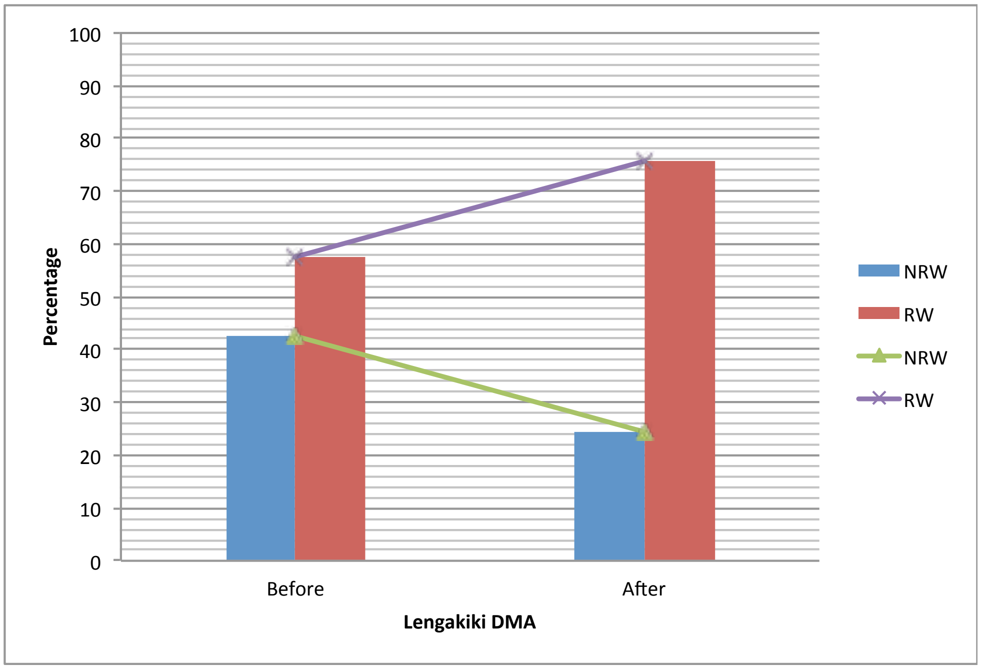


Figure 3: NRW reduction - Lengakiki DMA

JICA FUNDED IMPROVEMENTS

Figure 4: Panatina new reservoir tank

Figure 5: Skyline New Pump Station

IMPROVING AND MAINTAINING WATER QUALITY

The percentage of compliance on water quality had a dramatic increase in 2014, as Figure 6 and 7 demonstrates despite challenges presented during the floods of high rainfall, breakages in pipes and other threats to water quality. In January 2014 water quality compliance was 85% but by the time the year ended, compliance was recorded at almost 95%. The WHO standards for drinking water are 90% compliance for Total Coliforms and 98% compliance for e-coli. These improvements were made possible by the complete renewal and extension of chemical dosing equipment, the set up of a purpose-built laboratory funded by Australia and improved management of water quality and testing..

SIWA also used public notices (radio and print) to recommend the boiling of water for human consumption, particularly in periods of heavy rainfall and flooding.

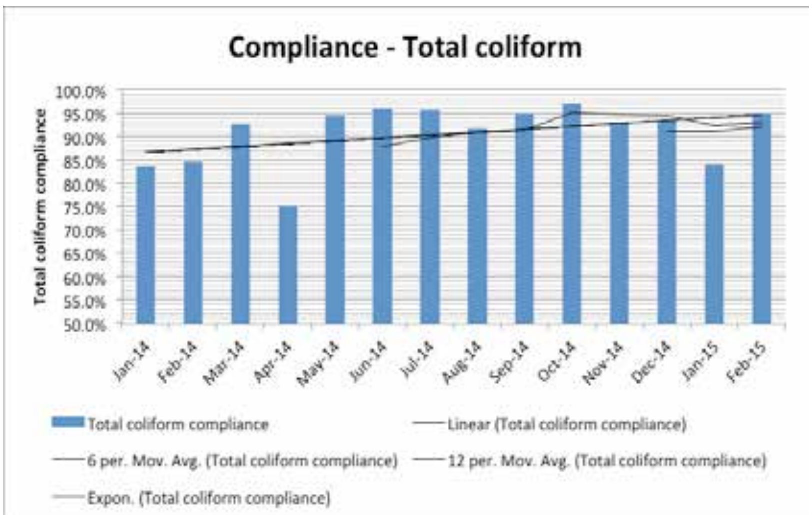


Figure 6: Compliance - Total coliform

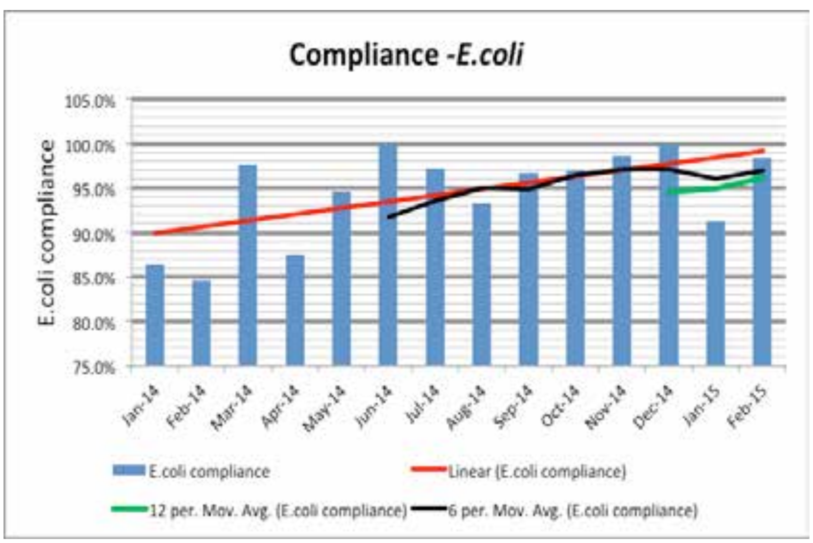


Figure 7: E-Coli compliance

IMPROVING CUSTOMER CARE AND COMMUNICATIONS

2014 saw other significant changes – Customer Care staff were moved to a new office in the BJS building in Point Cruz and staff worked hard to reduce service times, making significant progress

Communications output was also high, particularly in response to the floods, non-revenue water and the need to recover debts and encourage individuals and organizations to be responsible and pay their bills. The communications team conducted 11 school and community information programs engaging with 773 members of the community to get the message across about how to conserve and manage water usage. These was also broadcasted to the wider community through regular media release, radio announcement and social media updated.

HUMAN RESOURCES

SIWA continued to strengthen human resources management, systems and tools. Three major changes implemented in 2014 were training, introduction of a new uniform and increases in staff numbers (from 136 in 2013 to 149 in 2014). Staff retention was high with only 1 staff resignations and terminations in 2014.

Staff from the 4 Divisions undertook an 3 day course in Tools for Change Management. Nine staff were also awarded Train the Trainers Certificates through the Australia-Pacific Technical College after completing a training and assessment course.

SIWA has been working in partnership with the Secretariat of the Pacific Community (SPC's) Youth at Work program to take young interns who were then allocated to several work areas including meter reading, data input and field work.

SIWA staff, through partnership arrangements with other State Owned Enterprises, participated in a five day Project Management course. Along with the Ministry of Infrastructure and Development, Telekom and the Solomon Islands Electricity Authority (SIEA), SIWA technical staff benefited from the training and sharing experience. This will allow for greater collaboration on joint projects through a shared project approach.

Progress was also made regarding Occupational Health and Safety and Welfare. Human resources staff has begun work to review the current situation, analyse incidents and conduct risk assessments. These consultations will eventually lead towards a review of operations, including an internationally recognized standard audit in future.

Figure 8: SIWA staff in their new uniform

FINANCE AND ADMINISTRATION

Four new staff members were recruited in 2014, to enable the set up of a dedicated team to manage debt collection, adding to the capacity of the division for financial management. The management of outstanding client accounts remains a challenge for the organization, with still very high levels of non payments, currently 65% of the amount owed to the organization is outstanding greater than 90 days. As mentioned earlier, the highlight was the "unqualified" status given by the Auditor General for 2013 Financial Statements

The implementation of the Two Year Development Plan (see Figure 9) has provided for the acquisition of nineteen new vehicles to meet the company operational needs. A vehicle tracking system was installed to ensure efficient and responsible use of these vehicles.

Work has also begun on a new office space in Honiara CBD to allow for the relocation of the Management, Finance and Administration and the Communication team. Other infrastructure projects involving fencing of water facilities begun in Honiara to boost the security of these sites. Two contractors were mobilised and completed three facilities at Mbokona, Ngossi and Mbokonavera.

There has been a challenge to minimize the 'wear and tear' of assets. The existence of aging assets and the lack of proper documentation attributed to these challenges. Plans have been in place to develop a new asset register and to organise a public tender for the aging vehicles in 2015. Work has also started to identify a potential Real Estate Agent to assist the company to sell off a property in Honiara.

It has also been a busy year for the information technology team. They carried out a network security audit, which led to a security system upgrade and structural change on the network topology to add an extra layer of security.

The team also worked closely with the provincial centers to take many manual systems – particularly billing and use of meter technology – and enable staff to share data and complete more functions online. The entire system for billing was upgraded by the visiting NCS Chameleon team from New Zealand, which led to improvement of interface, reporting front-end, system performance and security.

The IT team identified outdated computers, printers and UPS. Those that were identified and were in use for more than 5 years were recommended to be re- placed. A recommended list for these replacements was submitted to the Head of Division and acquisition of these new replacements was received and was facilitated accordingly.

As part of the SIWA Two Year Development Plan, funded by Australia, a new server was acquired in October 2014 and the ADSL link was also upgraded in 2014.

CONTINUED SUPPORT PROVIDED UNDER TWO YEAR PLAN

Australian Government assistance for SIWA falls under the Two Year Plan for Development of SIWA. The Australian Government continued to supply funds for critical capital works upgrade and assist to support major operation expenses.

Major expenditures to date include the purchase of new vehicles and plant and emergency generators, as well as organisational improvement efforts including staff training, computers and printers.

The transmission capacity of the water supply network will be improved by construction of two pipelines between Titinge and Vavaya Ridge, and a new 1.5 mega litres storage at East Kola'a.

Figure 9: SIWA New vehicle fleet

Solomon Islands Office of the Auditor-General

Office of the Auditor-General
PO Box G18
Honiara
Solomon Islands

Telephone: + (677) 28695

Facsimile: + (677) 22006

Mr Ray Andresen
General Manager (Ag)
Solomon Islands Water Authority
HONIARA
SOLOMON ISLANDS

Your Ref.:

Our Ref.: 2014-A-1160

Date: 8 April 2015

Dear Mr Andresen,

Independent Auditor's Report of the Solomon Islands Water Authority for the year ended 31 December 2014

I am pleased to advise you that I have today submitted to your Chairman copies of my Independent Auditors Report on the financial statements of the Solomon Islands Water Authority for the years ended 31st December 2014.

I have also forwarded a copy to the Minister pursuant to section 47(3) of the Public Finance and Audit Act [Cap. 120], for the purposes stipulated in subsection 4.

I would also like to congratulate the finance team on their efforts in ensuring that SIWA receive an unqualified audit opinion.

Yours sincerely,

Robert Cohen
Acting - Auditor-General

CC: SIWA, Finance and Administrations Manager.
CC: MOFT Economic Reform Unit Director

We promote Public Sector Accountability

Solomon Islands Office of the Auditor-General

INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Water Authority

Report on the Financial Statement

I was engaged to audit the accompanying financial statements of the Solomon Islands Water Authority ("the Authority"), which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes 9 to 25.

Directors and management's responsibility for the financial statements

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

Auditors' responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on my judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I consider internal control relevant to the Authority's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Audit Opinion

In my opinion, the financial statements of the Solomon Islands Water Authority gives a true and fair view of the financial position of the Authority as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other legal and Regulatory Requirements

Lack of compliance with the State Owned Enterprises Act 2007

I draw your attention to the fact that SIWA has not complied with Section 14 (1) (b) and (c) of the State Owned Enterprises Act 2007 which require audited consolidated financial statements and the auditor's report thereon to be presented to the accountable minister within three months of the end of the financial year. The management signed financial statements were not presented to me until 8 April 2015.

Robert Cohen
Acting Auditor-General

Office of the Auditor General
Honiara, Solomon Islands

8 April 2015

Office of the Auditor General

We promote Public Sector Transparency and Accountability

SOLOMON ISLANDS WATER AUTHORITY
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the directors herewith submit the Statement of Financial Position of the Authority at 31 December 2014, the related Statement of comprehensive income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended on that date and report as follows:

Directors

Directors at the date of this report are:

David Laurie	Ethel Frances	Janet Marau	Trevor Palmer
Antoinette Wickham	Phil Bradford	Carson Korowa	

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 SIWA consisting of the statement of financial position as at 31 December 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows of SIWA 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.

Results

The operating profit for the year was SBD 6,101,816 (2013: SBD 11,495,102).

Dividends

The Directors recommend that no dividends be declared for the financial year (2013: nil).

Reserves

The Directors propose that no transfer be made to reserves.

Bad and Doubtful Debts

Prior to the completion of the Authority's financial statements, the Directors took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts and the provision for doubtful debts. In the opinion of the Directors, adequate provision has been made for doubtful debts.

As at the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad debts, or the provision for doubtful debts in the Authority, inadequate to any substantial extent.

Non Current Assets

Prior to the completion of the financial statements of the Authority, the Directors took reasonable steps 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.

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.

Basis of Accounting

The Directors believe the basis of the preparation of the financial statements is appropriate and the Authority will be able to continue in operation for at least twelve months from the date of this statement. Accordingly, the Directors believe the classification and carrying amounts of assets and liabilities as stated in these financial statements to be appropriate.

SOLOMON ISLANDS WATER AUTHORITY
DIRECTORS' REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2014

Unusual Transactions

Apart from these matters and other matters specifically referred to in the financial statements, in the opinion of the Directors, the results of the operations of the Authority during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Authority in the current financial year, other than those reflected in the financial statements.

Events Subsequent to Balance Date

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

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 that have arisen, not otherwise dealt with in this report or the Authority's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Authority misleading or inappropriate.

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 Authority in which he has a substantial financial interest.

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

Dated this 1st day of April 2015.

....
Director Director

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 SBD	2013 SBD Restated*
Continuing operations			
Operating income	2.1	81,052,129	70,115,598
Other income	2.2	12,132,053	15,838,621
Revenue		93,184,182	85,954,219
Expenses			
Corporate expenses	2.3	(6,056,398)	(5,826,354)
Depreciation		(6,319,639)	(5,214,093)
Salaries and employee benefits	2.4	(21,566,826)	(16,515,844)
Impairment of financial assets		(7,903,386)	(12,455,991)
Repairs and maintenance		(6,687,077)	(7,211,792)
Tools and uniforms		(445,091)	(619,434)
Utilities		(32,670,079)	(23,388,630)
Water treatment		(1,077,108)	(1,126,287)
Other expenses	2.5	(4,171,152)	(1,905,299)
		(86,896,756)	(74,263,724)
Finance expense	2.6	(185,610)	(195,393)
Net profit for the year		6,101,816	11,495,102
Other comprehensive income			
Other comprehensive oncome		-	-
Total comprehensive income for the year		6,101,816	11,495,102

* Depreciation expense shown here does not correspond to the 2013 financial statements and reflect adjustments made as detailed in Note 9.

The accompanying notes form an integral part of the Statement of Comprehensive Income.

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 SBD	2013 SBD Restated*
Contributed capital			
Balance at the beginning of the year		59,625,874	44,625,874
Additional capital contribution		-	15,000,000
Balance at the end of the year	11	59,625,874	59,625,874
Reserves			
Balance at the beginning of the year		10,048,261	-
Movement during the year		-	10,048,261
Balance at the end of the year		10,048,261	10,048,261
Accumulated losses			
Balance at the beginning of the year		(36,380,932)	(47,876,034)
Net comprehensive income for the year		6,101,816	11,495,102
Balance at the end of the year		(30,279,116)	(36,380,932)
Total Equity		39,395,019	33,293,203

* Net comprehensive income shown here does not correspond to the 2013 financial statements and reflect adjustments made as detailed in Note 9.

The accompanying notes form an integral part of the Statement of Changes in Equity.

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 SBD	2013 SBD Restated*
ASSETS			
Current assets			
Cash and cash equivalents	3	10,678,864	10,038,786
Trade and other receivables	4	23,052,441	17,552,200
Inventories	5	5,068,804	3,915,874
Prepayments and other assets	6	3,377,853	1,470,243
		42,177,962	32,977,103
Non-current assets			
Property, plant and equipment	9	157,318,902	30,902,082
		157,318,902	30,902,082
TOTAL ASSETS		199,496,864	63,879,185
Liabilities			
Current liabilities			
Trade and other payables	7	7,655,126	8,679,792
Employee benefits liability	8	2,011,136	2,000,678
Deferred revenue	10	5,240,501	3,056,874
Payable to related party	13 (e)	3,521,127	4,153,460
Total current liabilities		18,427,890	17,890,804
Non current liabilities			
Trade and other payables	7	-	1,338,709
Payable to related party	13 (e)	3,385,279	4,105,742
Deferred revenue	10	138,288,676	7,250,727
Total non current liability		141,673,955	12,695,178
Total liabilities		160,101,845	30,585,982
Total net assets		39,395,019	33,293,203
Equity			
Capital contribution	11	59,625,874	59,625,874
Asset revaluation reserve		10,048,261	10,048,261
Accumulated losses		(30,279,116)	(36,380,932)
Total equity		39,395,019	33,293,203
TOTAL EQUITY AND LIABILITIES		199,496,864	63,879,185

* Property, plant and equipment shown here does not correspond to the 2013 financial statements and reflect adjustments made as detailed in Note 9.

The accompanying notes form an integral part of the Statement of Financial Position.

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

.... Director

.... Director

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 SBD	2013 SBD Restated*
Operating activities			
Net comprehensive income		6,101,816	11,495,102
Adjustment to reconcile profit to net cash flows			
Depreciation of property, plant and equipment		6,319,639	5,214,093
Amortisation of deferred revenue		(2,062,924)	(2,435,124)
Loss/(gain) on disposal of property, plant and equipment		2,966,970	(102,950)
Amortisation of discount on interest free loan		217,037	217,037
Interest income		(31,427)	(21,644)
Movements in employee benefit liabilities		10,458	182,377
Working capital adjustments:			
(Increase) in trade receivables		(5,500,241)	(4,912,834)
(Increase) in other receivables		(1,907,610)	(1,326,724)
(Increase) in inventory		(1,152,930)	(2,440,604)
(Decrease)/increase in trade creditors and other creditors		(2,363,375)	314,877
Net cash flows (used in)/from Operating Activities		2,597,413	6,183,606
Cash flows used in Investing Activities			
Investing activities			
Proceeds from sale of plant and equipment		9,887	102,950
Acquisition of plant and equipment		(428,816)	(1,566,380)
Interest received		31,427	21,644
Net cash flows from/(used in) Investing Activities		(387,502)	(1,441,786)
Financing activities			
Repayment of related party borrowings		(1,569,833)	(15,822,131)
Additional capital received		-	15,000,000
Net cash flows (used in) Financing Activities		(1,569,833)	(822,131)
Net increase in cash held		640,078	3,919,689
Cash at the beginning of the year		10,038,786	6,119,097
Cash at end of year	3	10,678,864	10,038,786

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made as detailed in Note 9.

The accompanying notes form an integral part of the Statement of Cash Flows.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. Corporate Information

The financial statements of Solomon Islands Water Authority ('the Authority') for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on the 1st April 2015.

Solomon Islands Water Authority is a state owned enterprise established under the Solomon Islands Water Authority Act 1993. The registered office and principal place is business is Mendana Avenue, Honiara, Solomon Islands . The principal activities of the Authority are described in Note 18.

1.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings classified as property, plant and equipment, contingent consideration and non-cash distribution liability that have been measured at fair value. The financial statements are presented in Solomon Island Dollars and all values are rounded to the nearest dollar.

The financial statements provide comparative information in respect of the previous period.

Statement of compliance

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

1.2 Summary of significant accounting policies

a) Revenue recognition

Revenue is recognised to the extend that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue earned from the provision of water services is measured at fair value of the consideration received or receivable. Revenue is recognised when the service has been provided to the customer and consideration is probable.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, 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.

b) Government grants

Government grants are recognised where these is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Authority received grants of non-monetary assets, the asset and the grant are recorded as nominal amounts and released to profit and loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset.

c) Taxes

The Authority is exempt from income and Goods and Services tax under the Solomon's Islands Water Authority Act 1993.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

1.2 Summary of significant accounting policies (continued)

d) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Depreciation is calculated using the diminishing balance method using rates as follows:

Land and buildings	5%
Water systems	5% - 10%
Plant and equipment	25%
Furniture & fittings	25%
Motor vehicles	25%

An item of property, plant and equipment 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 income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

e) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Finance leases, which transfer to the Authority substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Authority will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

f) 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 respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

1.2 Summary of significant accounting policies (continued)

g) Financial instruments - initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Authority determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date the Authority commits to purchase or sell the asset.

The Authority's financial assets include cash and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Authority that do not meet the hedge accounting criteria as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the finance income or finance costs in the income statement.

The Authority has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Receivables

This category is the most relevant to the Authority. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement receivables are carried at amortised cost using the effective interest method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement as an operating expense .

Held-to-maturity investments

Non-derivative financial assets with fixed and determinable payments and fixed maturities are classified as held-to-maturity when the Authority has the positive intention and ability to hold it to maturity. After the initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial to the net carrying amount of the financial asset. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. The Authority has not designated any held to maturity investments during the year ended 31 December 2014.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

1.2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Derecognition

A financial asset (or, where a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flow the asset have expired
- 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.

When the Authority has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Authority's involvement in the asset.

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Authority could be required to pay.

(ii) Impairment of financial assets

The Authority assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Authority first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Authority determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

1.2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(ii) Impairment of financial assets

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred by the Authority. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives as hedging instruments in an effective hedge, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Authority's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Authority that do not meet the hedge accounting criteria as defined IAS 39.

Gains and losses on liabilities held for trading are recognised in the income statement.

The Authority has not designated any financial liabilities as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Derecogniton

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

1.2 Summary of significant accounting policies (continued)

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 15.

h) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:
Finished goods - cost of direct materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

i) Impairment of non financial assets

The Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any such 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 cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset or CGU exceeds it 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 to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired assets, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

1.2 Summary of significant accounting policies (continued)

i) Impairment of non financial assets (continued)

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 income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

j) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

k) 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 reliable estimate can be made of the amount of the obligation.

l) 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 employees 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.

m) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost 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 year.

n) Comparative figures

Comparative figures have been amended where necessary, for changes in presentation in the current period.

o) Segment information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environment.

(a) Industry segment

The Authority operates in the water services industry.

(b) Geographical segment

The Authority operates only in the Solomon Islands and is therefore one geographical area for reporting purposes.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

1.2 Summary of significant accounting policies (continued)

p) Foreign currencies

The Authority's financial statements are presented in Solomon Islands Dollars, which is the Authority's functional currency. That is the currency of the primary economic environment in which Solomon Islands Water Authority operates. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined.

q) Grants

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

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

1.3 Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2014.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
- IFRIC 21 - Levies

The adoption of the standards or interpretations is described below;

- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Authority, since Authority does not have any investment entity under IFRS 10.

- *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Authority, since the Authority does not have any offsetting arrangements.

- *IFRIC 21 - Levies*
  IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Authority as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

1.4 Significant accounting judgments, estimates and assumptions

The preparation of the Authority's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgments

In the process of applying the Authority's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Operating Lease Commitments

The Authority has entered in commercial property leases. The Authority has determined based on an evaluation of the terms and conditions of the arrangements, that it does not retain all the significant risks and rewards of ownership of the property and so accounts for the contracts as operating leases.

Estimations and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amount of assets and liabilities within the next financial year are described below. The Authority based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur.

Impairment of non financial assets

The Authority assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

1.5 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Authority's financial statements are disclosed below. The Authority intends to adopt these standards, if applicable, when they become effective.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Authority, since the Authority does not have any defined benefit plans with contributions from employees or third parties.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

1.5 Standards issued but not yet effective (continued)

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Authority is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Authority given that the Authority has not used a revenue-based method to depreciate its non-current assets.

2. OPERATING REVENUE AND EXPENSES	**2014 SBD**	**2013 SBD**
Included in revenue are:		
2.1 Operating income		
Water fees and charges	75,711,926	64,609,444
Standing charges	4,675,312	3,949,430
Disconnections/reconnection charges	664,891	1,556,724
	81,052,129	70,115,598
2.2 Other income		
Gain on sale of fixed assets	9,887	102,950
Miscellaneous income	319,510	238,550
Write off from reconciliation of billing and accounting system	-	4,399,546
Bad Debts recovered	421,414	-
Solomon Islands Government - CSO grant	3,092,000	3,822,333
Amortisation of deferred revenue	5,248,315	2,435,123
Grants received from Government of Australia	2,516,039	4,349,098
Grants received from Japan International Cooperation Agency	-	241,021
Grants received from NZ Aid	524,890	-
Grants received from IWRM	-	250,000
	12,132,053	15,838,621

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. OPERATING REVENUE AND EXPENSES

Included in expenses are:

	2014	2013
2.3 Corporate expenses	SBD	SBD
Advertising	407,789	400,732
Auditors' remuneration	214,600	220,000
Board allowances	63,180	69,948
Travel and transport	423,530	415,904
Printing, freight and stationery	1,167,732	145,960
Insurance	208,415	115,011
Lease rentals	1,129,120	713,022
Software training and computer consumables	401,074	342,606
Telephone	769,404	851,924
Other expenses	1,271,554	2,551,247
Total expenses	6,056,398	5,826,354

2.4 Salaries and employee benefits	SBD	SBD
Wages and salaries	9,775,091	9,532,535
Key management personnel	993,590	899,587
Superannuation	1,364,015	632,205
House rentals and allowances	9,434,130	5,451,517
	21,566,826	16,515,844

2.5 Other expenses	SBD	SBD
Other expenses	621,702	486,412
Project expenses - Australian Aid	572,593	1,418,887
Loss on disposal of property, plant and equipment	2,976,857	-
	4,171,152	1,905,299

2.6 Finance (expense)/income		
Amortisation of discount - SIEA	(217,037)	(217,037)
Interest received	31,427	21,644
	(185,610)	(195,393)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, cash at bank and short term deposits. Cash and cash equivalents included in the statements of cash flows comprise the following balance sheet amounts:

	SBD	SBD
Cash at bank	4,595,332	3,995,268
Cash in hand	20,500	10,500
Term deposits	6,063,032	6,033,018
Cash at bank and on hand	10,678,864	10,038,786

4. TRADE AND OTHER RECEIVABLES

	SBD	SBD
Trade receivables	54,164,108	43,435,103
Provision for impairment of receivables	(31,111,667)	(25,882,903)
	23,052,441	17,552,200

Trade and other receivables are non-interest bearing and are generally on a 30 - 90 day terms.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

4. TRADE AND OTHER RECEIVABLES (continued) 2014 2013

At 31 December, the ageing analysis of trade receivables for the Authority is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			30 - 60 days	60 - 90 days	>90 days
	SBD	SBD	SBD	SBD	SBD
2014	23,052,441	9,867,243	5,749,484	4,546,032	2,889,682
2013	17,552,200	5,893,324	4,001,724	2,901,419	4,755,733

Movements in the provision for impairment of receivables were as follows:

	SBD	SBD
Opening balance	(25,882,903)	(19,882,903)
Charge for the year	(7,903,386)	(12,455,991)
Utilised	2,674,622	6,455,991
	(31,111,667)	(25,882,903)

5. INVENTORIES

	SBD	SBD
Stores and consumables	5,068,804	3,915,874

6. PREPAYMENTS AND OTHER ASSETS

	SBD	SBD
Other debtors	2,877,954	1,274,907
Prepayments	499,899	195,336
	3,377,853	1,470,243

7. TRADE AND OTHER PAYABLES

	SBD	SBD
Current		
Trade payables	477,612	2,969
Other payables	2,772,520	5,140,522
Water deposits	4,404,994	3,536,301
	7,655,126	8,679,792
Non-current		
Other Payables	-	1,338,709

Trade payables are non interest bearing and are normally settled on 30 day terms, with the exception of PAYE arrears totaling $1,462,407. The agreement with the Inland Revenue Division is that this is an interest free facility, with a payment of $320,000 required each month. The facility will be repaid by May 2015.

8. EMPLOYEE BENEFIT LIABILITY

	SBD	SBD
Employee entitlements		
Balance at beginning of year	2,000,678	1,818,301
Net movement during the year	10,458	182,377
Balance at year end	2,011,136	2,000,678
Represented by:		
Annual leave	42,995	177,523
Long service benefit	1,898,612	1,748,591
Long service leave	69,529	74,564
	2,011,136	2,000,678

MON ISLANDS WATER AUTHORITY
S TO THE FINANCIAL STATEMENTS (CONTINUED)
THE YEAR ENDED 31 DECEMBER 2014

ROPERTY, PLANT AND EQUIPMENT

ost	Water Systems	Land and Buildings	Machinery, Equipment and Computers	Motor vehicles	Furniture and Fittings	Total
	SBD	SBD	SBD	SBD	SBD	SBD
1Janaury 2013	49,781,697	11,645,198	13,659,317	4,389,473	2,271,090	81,746,775
dditions	1,386,989	403,221	2,140,800	1,297,866	505,312	5,734,188
isposals	-	-	-	(449,846)	-	(449,846)
1 January 2014	51,168,686	12,048,419	15,800,117	5,237,493	2,776,402	87,031,117
dditions	122,913,161	344,995	6,432,940	5,556,084	482,244	135,729,424
isposals	(17,742,379)	(105,058)	(4,888,405)	(2,054,737)	(1,618,905)	(26,409,484)
t 31 December 2014	156,339,468	12,288,356	17,344,652	8,738,840	1,639,741	196,351,057
epreciation and impairment						
t 1Janaury 2013	41,312,764	-	5,068,092	3,423,851	1,560,081	51,364,788
epreciation charge	1,860,354	209,964	2,333,856	484,279	325,640	5,214,093
isposals	-		-	(449,846)	-	(449,846)
t 1 January 2014	43,173,118	209,964	7,401,948	3,458,284	1,885,721	56,129,035
epreciation charge	2,950,041	228,771	2,210,486	667,538	262,803	6,319,639
isposals	(15,224,452)	(8,773)	(4,660,641)	(1,947,331)	(1,575,322)	(23,416,519)
t 31 December 2014	30,898,707	429,962	4,951,793	2,178,491	573,202	39,032,155
et book value:						
t 31 December 2014	125,440,761	11,858,394	12,392,859	6,560,349	1,066,539	157,318,902
t 1 January 2014	7,995,568	11,838,455	8,398,169	1,779,209	890,681	30,902,082
t 1Janaury 2013	8,468,933	11,645,198	8,591,225	965,622	711,009	30,381,987

and and buildings for 2013 is restated by an additional SBD 377,252 to reflect reversal of depreciation claimed on freehold land. Separate fair values of land and buildings have een determined based on a valuation of land and buildings in 2012 by JC Valuer.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
10. DEFERRED REVENUE	**SBD**	**SBD**
Australian Aid	17,229,200	7,250,727
Japan International Cooperation Agency	119,479,752	1,845,174
Solomon Islands Government	6,820,225	1,211,700
	143,529,177	10,307,601

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

	2014	2013
Current	5,240,501	3,056,874
Non-current	138,288,676	7,250,727
	143,529,177	10,307,601

11. CONTRIBUTED CAPITAL	**SBD**	**SBD**
Contributed capital at the beginning of the year	59,625,874	44,625,874
Additional capital contribution during the year	-	15,000,000
Contributed capital at the end of the year	59,625,874	59,625,874

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

12. COMMITMENTS AND CONTINGENT LIABILITIES **SBD** **SBD**

a) Contingent liabilities
The Authority is a plaintiff in several litigations brought by creditors and employees. The Directors believe these litigations will not have a material effect on the financial statements.

	SBD	SBD
b) Capital commitments	Nil	Nil

c) Operating leases commitments contracted for building rentals

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	954,580	942,885
Later than one year but not later than five years	190,320	102,200
	1,144,900	1,045,085

13. 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:

David Laurie	Ethel Frances	Janet Marau	Trevor Palmer
Antoinette Wickham	Phil Bradford	Carson Korowa	

(b) Controlling Entities
The ultimate parent of the Authority is the Solomon Islands Government.

(c) Compensation of key management personnel	SBD	SBD
Short term employee benefits	993,590	899,587

(d) Transactions with related parties
Transactions with related parties during the year ended 31 December 2014 with approximate transaction value are summarised as follows;

	SBD	SBD
<u>Directors</u>		
Directors remuneration and expenses	63,180	69,948

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

13. RELATED PARTY TRANSACTIONS

	2014 SBD	2013 SBD
(e) Amount owed to related parties		
Non-current		
Solomon Islands Electricity Authority	3,385,279	4,105,742
Current		
Solomon Islands Electricity Authority	3,521,127	4,153,460
	6,906,406	8,259,202

The Debt Agreement with Solomon Islands Electricity Authority is an interest free loan over 8 years, repayable in equal monthly instalments which commenced 1st January 2013. If default of payment occurs at any time a default interest rate of interest, being the daily Business Index Rate published by the three main banks in Honiara, will be applied to the period of default.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial liabilities comprise interest bearing borrowings and trade payables. The main purpose of these financial liabilities is to raise finance for the Authority's operations. The Authority has various financial assets such as trade receivables and cash, which arise directly from its operations.

The main risk arising from the Authority's financial statements are liquidity and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Liquidity risk

The Authority monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The table below summarises the maturity profile of the Authority's financial liabilities at 31 December 2014 based on contractual undiscounted payments.

	Trade and other payables	Payable to related party	Total
	SBD	SBD	SBD
31 December 2014			
3 to 12 months	7,655,126	937,500	8,592,626
1 - 2 years	-	937,500	937,500
> 2 years	-	5,031,406	5,031,406
	7,655,126	6,906,406	14,561,532
31 December 2013			
3 to 12 months	8,679,792	4,153,460	12,833,252
1 - 2 years	-	937,500	937,500
> 2 years	-	3,168,242	3,168,242
	8,679,792	8,259,202	16,938,994

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Authority is exposed to credit risk from its operating activities (primarily trade receivables) and from financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade Receivables
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 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 maximum exposure to credit risk at the reporting date is disclosed in Note 4. The Authority holds cash collateral of SBD 4,804,427 against the collective accounts. The Authority evaluates the concentration of risk with respect to trade receivables as high.

15. FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of all of the Authority's financial instrument that are carried on the financial statements.

	Carrying amount		Fair Value	
	2014 SBD	2013 SBD	2014 SBD	2013 SBD
Financial assets				
Cash	10,678,864	10,038,786	10,678,864	10,038,786
Trade and other receivables	23,052,441	17,552,200	23,052,441	17,552,200
	33,731,305	27,590,986	33,731,305	27,590,986
Financial liabilities				
Trade and other payables	7,655,126	8,679,792	7,655,126	8,679,792

The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of financial assets have been calculated using market interest rates.

16. SUBSEQUENT EVENTS

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

17. CONTINGENT LIABILITIES

a). Autoro & Ors vs. SIWA

In March 2011, 14 former SIWA employees filed complaints before the Trade Disputes Panel ("Panel"). They alleged they were unfairly dismissed from employment. The last hearing of this case was on 25th March 2014. The matter was adjourned after a brief hearing to allow the Complainants to consider a possible settlement of those monies they were underpaid.

b). Fatal accident on old SIWA water tank, East Kola'a Ridge, Central Honiara

On or about 27th July 2013, Alick Faru (minor, 13 years) fell from an old SIWA water tank at East Kola'a Ridge, Central Honiara whilst playing with his friends. He subsequently died from injuries allegedly sustained in that fall. His father has made a claim (undated) to SIWA for a "custom" settlement.

The deceased's father has been contacted to provide more information on his son's injuries and a medical report. If the matter proceeds to court, it may become a personal injury liability claim. Potentially such a claim may result in damages. The question of negligence would have to be determined while damages may result in anything from $0 to about $50,000.00.

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

18. PRINCIPAL BUSINESS ACTIVITY

The principal activity of the Authority during the year was the treatment and distribution of water in the Solomon Islands.

Principal place of business
The principal places of business are located at Mendana Ave, Honiara, Solomon Islands

Number of employees at the end of the period

	2014	2013
Number of employees the authority employed at the reporting date	149	144