ANNUAL REPORT

Solomon Islands Water Authority

2020

Solomon Water

Safe water for a healthy nation



WE'RE WITH YOU

IMPROVING VALUE

IMPROVING SERVICES

IMPROVING OUR FUTURE

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 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 2020 Annual report for the Solomon Islands Water Authority, trading as Solomon Water.

Solomon Water should be deservedly proud of its achievements in 2020. It has been a very difficult and challenging, yet highly productive year.

There has been challenges dealing with illegal and unmanaged logging and sawmilling operations in the Kongulai and Kohove water catchment area that resulted in many shutdowns following rain of up to half of Honiara's water supply due to sediment caused by inadequate environmental management. Government support to hold these operators accountable would be much appreciated. Whilst the catchment will recover slowly, this has nevertheless had a very significant impact on Solomon Water's reputation and revenues as well as considerable extra operational costs to manage the shutdowns.

Recommissioning of the old borefield at White River to supplement production will be complete early in 2021, and tenders for construction of a new treatment plant for Kongulai were called in December.

The USD 90 m funding package with our donor partners including the Solomon Islands Government was approved and effectiveness of this funding achieved for the ADB and World Bank components in mid-2020. This package will facilitate notable benefits to the community through expanded networks, improved water quality and reliable supply. Better sewage management in Honiara will not only bring environmental benefits but will result in better health outcomes for the community. It needs to be noted though that there is insufficient funding to complete the planned works and some projects will need to be dropped from the package unless further funding is secured.

The Covid-19 pandemic together with delays in reimbursement of donor funds caused Solomon Water extreme cashflow distress during the first half of 2020 to the extent that all discretionary spending was halted, casual staff were laid off, non-essential staff had reduced working hours and the CEO took a reduction in wages. As the financial situation eased and considerable effort was expended on revenue collection, staff returned to full time work around October.

Construction of a new $23m pumping station, pipelines and storage reservoir in Auki was completed and this will significantly improve supply for the town. Various major projects in Honiara, Noro, Munda, Gizo and Tulagi suffered delay due to the design consultant's inability to come in country to complete the works, and these are now in final design stage. Construction will commence in 2021 although some projects are pending EU funding effectiveness.

Solomon Water has again achieved a clear audit report and recovered well following the difficult cashflow issues noted above. A $5m stimulus payment assisted Solomon Water considerably and this support from Government is much appreciated.

Thanks to strong cooperation from our Accountable Ministers we have a full complement of directors, however we need to replace 2 members in 2021. I also note the substantial achievements in 2020 by the CEO and his executive team. With the strong partnership in place between the Board and Executive, Solomon Water is well positioned to continue to deliver on its vision of "*safe water for a healthy nation*".

I thank my fellow Board members, Accountable Ministers, Executive and staff for their efforts in supporting Solomon Water through 2020 and look forward to ongoing support in the years to come.



Carson Korowa
Chairman of the Board

Chief Executive's Overview

As with most entities in Solomon Islands and elsewhere around the world, Solomon Water has had a challenging year due to Covid-19. Our collections dropped almost $5 million over the previous year and evidence pointed to an increased level of illegal activities as a consequence of subdued economic conditions, further contributing to non-revenue water. Management responded by comprehensively reviewing its cost base and identifying savings, boosting staff in the debt collections and Non-Revenue Water teams, temporarily standing down support staff from five to three days and closely monitoring cash flow. While cost reduction measures were considered appropriate in light of economic circumstances and helped stabilise Solomon Water's cash position, they were clearly unsustainable for an entity in growth.

Work to arrest NRW continues as per the Strategic Plan although significant progress towards our target of 30% will not be achieved until large lengths of old and leaking pipes are replaced. This requires significant investment, and we request Government support to secure further donor funds to assist this important work. In 2020 we appointed an international NRW specialist to help drive strategy in this critical area.

Bidding documents for the Kongulai Water Treatment Plant were completed in late April and submitted to donor partners for their approval. The tender was advertised in December 2020 and will close 1 March 2021. The plant will be completed in early 2023, allowing Solomon Water to produce water regardless of weather and catchment conditions. In the meantime, we are taking steps to try and reduce the impacts caused by illegal activities that are causing the dirty water. The rehabilitated White River borefield will be commissioned in March 2021 and this will allow limited ongoing water production when other supplies are shut down.

In 2020 Solomon Water also carried out work in the provinces. The Auki Water Supply Improvement Project was completed in November thanks to funding by ADB, World Bank and SIG support through the Urban Water Supply and Sanitation Sector Project (UWSSSP). Detailed design work for upgrade of water supply in Noro and Tulagi was also carried out.

Solomon Water is thankful to Government for the Stimulus funding and CSO payments received - these contributed to a higher profit in 2020. However, this masks the significant impost on Solomon Water's own cash, particularly on capex, the largest of which was the relocation and housing of people affected by the Kongulai project. Given the continued growth in capex and staffing requirements to complement this growth, cash flow vulnerability will remain. To support this growth, Solomon Water applied to Government for tariff increase for one year (2021), with a decision on future years pending a comprehensive ADB-appointed consultant review of Solomon Water's cost of service and future tariff requirements.

Management continued to review productivity and organisational efficiency. A Corporate Services division was created, and key appointments were made in Project Management, Procurement, Asset Management and Business Analysis. Towards the end of 2020 Solomon Water was close to signing a contract for an ERP with Pronto of Australia with the objective of automating several manual tasks and report generation across the organisation. We are confident that such investment will contribute to faster and better decision making in the future. Management has no tolerance of corruption in any form and several field staff were terminated during the year for improper practices.

I am thankful to the Board and my dedicated Executive team and staff for the many achievements despite the setbacks brought about by 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 Chairman
Carson Korowa



Cynthia Wickham
Deputy Chairperson



John Belande



Gloria Hong



Donald Marahare



William Parairato



Trevor Palmer

Board members, Carson Korowa and Trevor Palmer, whose terms have expired, should have been replaced during 2020. Board member Mr David Patternot was replaced by Dr William Parairato during the year. The Board has advertised again for a replacement for Mr Trevor Palmer and hopes an appointment is made in early 2021.

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 150 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) 2020 – 2023 identified 16 key strategic issues and challenges for Solomon Water through to 2023 and beyond, and these are listed below with comments on progress to date:

Strategic Issue identified	Annual Report Comments
Governance	
Board member vacancies: Recently Solomon Water advertised, evaluated and submitted a shortlist of candidates as outlined in the legislation. Hopefully the 2 Accountable Ministers will make the appointments of up to 2 new members before the end of 2019. During 2020 the Board will re-advertise for a final seventh position to replace our current Chairman Carson Korowa.	Only one suitable candidate was identified during the 2019 recruitment process and Board member David Patternott was replaced by William Parairato. Advertisements for the replacement of Trevor Palmer were called and close in January 2021. Hopefully this replacement will occur in early 2021. We will continue to work with the AM's in 2021 to have the Chairman replaced. With 5 new board members during 2019 and 2020, there is risk that much knowledge and governance continuity will be lost.
External funding	
Securing donor funds to support the Strategic Plan projects remains a high priority. ADB, World Bank and EU have recently approved funding totalling around USD 72m which is significantly less than the required amount of around USD 188 m. As the feasibility studies and costs for various projects are being prepared, the costs are constantly changing. We continue to seek other funding sources and are in discussion with several potential funding partners.	"Effectiveness" of the EU and World Bank funding was finally achieved in mid 2020. A worldwide co-financing agreement between ADB and the EU remains to be finalised before the EU funds can become effective, hopefully around mid-2021. This will delay implementation of most of the UWSSSP projects. A significant funding gap remains and Government is requested to assist Solomon Water identify and secure further funding, particularly grant funds.
Strategic	
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 the next stage of preparing documents for a design / build contract will occur in early 2020. Further funding is however required before this project can proceed to construction. It ideally needs to be operational in time to provide water for the 2023 Pacific games.	Funding limitations and a potential donor design / build option have meant this project has not proceeded. There remains insufficient funding for this vital project although discussions with several potential development partners are ongoing. Completion of a plant before the 2023 Pacific games is now not possible, and Solomon Water is exploring other ways to ensure sufficient water is available for Honiara at that time.

Strategic Issue identified	Annual Report Comments
The Board has agreed to taking over responsibility for provision of water supply to Gizo and Munda, subject to CSO from Government and donor assistance for major upgrading works. Limited operation of the Gizo water supply could take place in early 2020 assuming these requirements are met, followed by full operation of Gizo and Munda in 2021 once construction of the new supplies are completed.	Detailed design for Gizo and Munda is largely complete with construction due to start mid 2021 subject to the EU / ADB co-financing agreement and funding effectiveness. Donor funding for both Gizo and Munda is available, but Government has not yet agreed to provide any CSO support for establishment of services in these towns.
Operational and Technical	
Illegal and unmanaged logging – Solomon Water and its customers have been very severely impacted during 2019 through environmental damage caused to the Kohove water catchment Kongulai spring through improperly managed logging. We are working with relevant ministries and Police to try and stop the logging which continues despite cancellation of the development consent. Shutdown of Kongulai which supplies water to about 40 % of Honiara occurs following rain in the upper catchment. **This activity is probably the single most important matter at present in which Government support is requested.**	As noted above, illegal and unmanaged logging and sawmilling in both the Kongulai and Kohove water catchment areas has caused severe disruption to our supply and significant cost to Solomon Water. The Kohove activity was stopped in late 2019 and the catchment is slowly recovering. Recent identification of an illegal sawmilling in the Kongulai catchment now needs government support to stop. Improperly managed earthworks in the Kombito area have also caused severe disruption to the Kombito water source. **We ask Government for their support to stop illegal earthworks and tree felling activity in the water catchment areas.**
Non-Revenue Water (NRW) – NRW water is estimated at about 58% of the volume of water produced. The main losses are the result of physical leakage, direct unmetered connections and illegal connections. Considerable work identified in the Strategic Plan is required to arrest water loss and improve our revenue collection is underway, including the use of the pre-paid CashWater system. NRW has dropped from around 62% to 58% over the 2019 year, and ongoing reductions are expected.	Despite considerable effort there has a slight increase in NRW with the figure increasing from 58% to 59% through 2020. NRW has increased slightly due to increased commercial losses though illegal connections due to the pandemic, increased customer base and CashWater meter efficiency issues. It is expected that progress on NRW improvement will accelerate in 2021 now new systems and processes have been established and the cashWater meter issues are being addressed. Until many water pipelines have been replaced (currently planned for commencement in 2022), losses on much of the reticulation and trunk mains will remain high. Solomon Water does not have sufficient funding for these replacements, and requests

Strategic Issue identified	Annual Report Comments
	government support through increased grant funding to assist in this project.
Asset Management – there is a need for SW to develop its Asset Management Policy, Strategy and Plan. This should focus on Asset life cycle planning and especially targeting areas such as planned replacement of aging assets and preventative maintenance. An ADB funded network specialist will work on this during 2020.	Progress on Asset management commenced, but the specialist left at the start of the pandemic related travel restrictions. A major consultancy contract should commence in 2021 and the establishment of the required systems and processes will be done through this consultancy.
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. Limited remedial work has commenced but more detailed analysis of the solutions are being conducted under the Project Preparation Assistance Consultancy phase funded by ADB. Significant infrastructure works to remove direct sewage discharge to the Mataniko River and ocean foreshore will be tendered for construction in early 2020.	Detailed design of sewer pump stations, network upgrades and ocean outfalls is largely complete, however there are insufficient funds in the UWSSSP donor funded programme to complete these works. Further funding from donors is required for these works to proceed as intended. Temporary repairs to several outfalls are planned but have been delayed due to access or materials supply issues. They should be completed by mid 2021.
Financial	
Financial status – previous year's SCO and Annual reports have stated that SW would require a few more years of sustained performance before it could be considered financially self-sufficient. We are in the process of implementing an essential capital works program in line with the Strategic Plan to upgrade and expand the water and sewerage network, and significantly improve its reliability and efficiency. Current levels of revenue supplemented by partial donor funding are insufficient to cover these costs.	Cash flow has been strained due to the delay in effectiveness date of the UWSSSP and revenue downturn associated with the pandemic. Effectiveness was finally achieved in May with cash reimbursements from Retroactive Funding received in following months. As noted elsewhere in this report, SW has had to defer or delay capital spending where appropriate so as to preserve cash. A $5m stimulus payment from Government assisted greatly, and together with strengthened efforts in revenue management, and strong expenditure controls, Solomon Water has finished the year with higher net profit than expected.
Water and Waste Tariff – To meet the costs of essential capital works cited above, Government has approved a 5% increase in tariff for the 2019 and	A tariff request for 12.4 % increase was lodged with government in September. As at 31 December the request had not been granted although staff understand that an increase of 9.6% has been approved, together with a $3m

Strategic Issue identified	Annual Report Comments
2020 years. A request will submitted mid 2020 for review of tariff for the 5 years from 2021 to 2025.	increased CSO payment to support the reduced tariff. Solomon Water made submission on the electricity tariff review as power amounts to 30% of our total operating costs. Despite several requests for assistance to reduce electricity costs, no assistance has been received from Government or Solomon Power. An ADB funded full cost of service and tariff review has been conducted in late 2020 and the results are expected to be shared with Government as part of the 2021 and beyond tariff request.
Collection of Debt – Outstanding customer bill payments continues to affect Solomon Water's revenue. A pre-paid "CashWater" water meter system is currently being rolled out with over 3000 customers connected and internet and phone banking services will be available in early 2020. It is envisioned that all domestic connections will be on this system by the end of 2021.	Review by Government of the legislation surrounding debt collection would be appreciated. Ongoing improvement in debt collection and reduction in days receivable. Ongoing roll out of CashWater meters to domestic customers continued, and about 6000 units been installed. Unfortunately a high rate of failure in the units has resulted in the project being paused pending resolution of these issues with the supplier. The failure of some units in the "open" position has resulted in NRW increase and significant revenue loss, the quantum of which is still under investigation.
Government debt – Debt owed by SIG for water services provided remains unacceptable and disconnections are the only reliable way of securing payment. We continue to engage with Government to ensure payments occur on time	Despite concerted staff collection efforts, $1.2 million remains outstanding in non-current debt of total debt owed of $1.9 million as at year-end. While this is an improvement over historical payment patterns, Government is urged to pay its accounts on time.
Tax exemption – We are grateful to the government for the $425,000 worth of duty and goods tax exemption for the year. We understand, however, that in the future the Government will only be granting us 50% exemption on essential items such as pipes & fittings and chlorine. We respectfully request the Government to reconsider its decision and note that clause 37 of the SIWA Act provides for full exemption of this duty.	Solomon Water has received $2.8 million of exemptions in taxes and duties. We look forward to the continuing support from the Government although note that Government had reduced the percentage exemption from 100 to 50% on cash water meters, pipes, fittings and chlorine for the first quarter of 2020.
Community Service Obligation - We are grateful to government for providing a CSO of $4.3 million in 2019 following non-provision in 2015 and 2017. The	Solomon Water is appreciative of the $3.7m CSO received in 2020, and encourages Government to increase this, and continue to support unsustainable provincial activities.

Strategic Issue identified	Annual Report Comments
CSO funding is specific to supporting unsustainable provincial operations. It should be noted that SW supplies water to areas of Guadalcanal province surrounding Honiara as well as informal settlements within Honiara for which CSO is not provided. During 2020 SW will commence limited operations in Gizo and this operation will not return until a full supply is commissioned in late 2021. The request for 2020 including for Gizo, has been submitted to Government and we await a positive outcome.	Solomon Water's 2021 CSO request included for CSO to support establishment and operations in Gizo in 2021. A revised CSO request has been lodged with Government based upon the above and including an extra $3m as agreed with MoFT staff as part of holding the Solomon Water tariff increase for 2021 below 10%.
Water supply to disadvantaged communities – The burgeoning increase in the population residing in informal settlements and the continued and uncontrolled development of these settlements imposes an increasing burden on the water supply system, often through water theft. We foresee a demand for provision of water services to these communities despite the fact that we cannot legally service properties that do not possess formal leases. The ability of these communities to pay for water services is also doubtful. A policy must be agreed with government on how the provision of a basic, lifeline water supply can be provided with government financial support through a new community service obligation contract.	No progress to date regarding any agreement with Government on lifeline water supply. CSO from Government remains inadequate to properly support provincial or settler communities. CashWater is assisting low-income families to better manage water use, however problems with meter failures have resulted in this project being put on hold until the problems can be resolved or an alternative brand of meter procured. An Urban WASH programme is anticipated in 2021 utilising donor partner funds which may assist with education and provision of some facilities.
Land access	
Land disputes and resource utilisation on Customary Land – Land disputes and resource utilisation on 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.	Ongoing problems with little progress by Government to assist. Kongulai issues remain unresolved. Significant problems occur with settlers inside water catchment areas and we are taking steps to manage this. Significant problems have occurred due to illegal and unmanaged logging and sawmilling in the Kongulai and Kohove water catchment areas and Government support is required to resolve these matters. Stronger Government support is essential to manage this issue, and it is proposed that compulsory acquisition of lands be undertaken where appropriate.
Organisational Effectiveness	
Organisational capacity - Weaknesses in the capacity of the organisation to manage efficiently and effectively have been reduced but some	Several donor and Solomon Water funded advisors assist to increase staff capacity.

Strategic Issue identified	Annual Report Comments
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. Some changes in the executive management are anticipated in 2020 and these will be carefully managed to avoid disruption to the business.	Ongoing difficulty in securing experienced and capable local professional staff, especially in engineering and finance. A new Corporate services group was established and an acting manager for this activity appointed.

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 2020.

Table 1: Solomon Water Corporate Objectives

Service Area	Current Objectives (2012-2015)	Proposed 5 Year Objectives (2017-2022)	2020 Progress
Coverage of Water Supply Systems	80% urban population connected to the SW network by 2015	70% of properties within all service areas have access to network	59% of customers within the service areas have access to network. A total of1,169 new customer connections were made during 2020.
Drinking Water Quality	Meet WHO microbiological standards for 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	Chlorine disinfection is now provided in Honiara, Auki, and Noro. Partial disinfection was added in Tulagi during 2019, with full disinfection planned for Q1 2021. Water Safety Plan for Honiara is in place and operational. Draft water safety plans for Noro and Auki completed, to be reviewed and approved in Q1 2021.
Water Supply to informal settlements	Ensure clean water and proper sanitation is available in all communities	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 CashWater meter installations. Some of the CashWater installations noted above have been in informal areas, and an Urban WASH programme is under design for 2021 implementation.
Coverage of wastewater systems	20% increase in coverage of sanitation by 2020	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 wastewater system in Honiara, 0% for other provincial centres. Once significant upgrades to the Honiara Wastewater system are carried out during 2022 and 2023 further properties can be connected. Insufficient funding is available to upgrade all of Honiara's wastewater network.
Sewerage treatment standard	Investigate municipal sewerage and treatment/disposal	Screening and effective dilution of all sewerage pumped from wastewater network to waterways	No treatment of sewerage. Once new sewer outfalls are constructed during 2022, basic screening will be provided. Insufficient funding is available to upgrade all of Honiara's wastewater network and only the CBD area

			will be upgraded unless further funding is secured.
Energy Consumption	Not currently assessed	All capital decisions with electrical energy requirements above 20kW will be assessed on a net present value assessment taking into account capital and operating costs	A donor funded energy assessment of selected electrical installations was conducted during 2019, with several recommendations for improved efficiency and electricity cost savings were implemented. Further improvements are planned for 2021.
Emergency Management	Enterprise Risk Management plan prepared and reviewed 6 monthly	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. Covid -19 response plans were also prepared in response to the Coronavirus pandemic.
Financial Sustainability	Annual statutory and management reporting to ensure legislative compliance	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 to cover costs and Government loan repayments.
Lifecycle management	Not currently assessed	Develop Lifecycle management targets as part of an asset management plan. Adopt and implement a maintenance management system to manage all routine and breakdown maintenance.	Due to difficulties securing appropriate specialist advisors, some progress was made on this task during 2020. An Asset management specialist was appointed, and Expressions of Interest called from consulting firms which include development of an Asset management plan and system.
Climate Change/Resilience	Not currently assessed	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	Board adopted 30 year Strategic Plan and 5 year Action Plan	Implement 5 Year Action Plan and review 30 year Strategic Plan in 2021	Travel restrictions slowed progress. Implementation of plans ongoing with significant progress made and over USD 60 m of work ready to be tendered for construction in 2021 / 22. Auki water supply upgrade completed and tenders for construction of the Konguali Water treatment were called. A significant funding opportunity of around USD 90 m remains for the initial 7 years of the plan to be implemented.

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)	2020 Outcome
Drinking Water Quality	Compliance with drinking water guidelines (% of samples complying)	48%	95%	E. Coli compliance 99.7 % (Honiara only) Total coliform compliance 97% (Honiara only) Provincial towns sampling not yet at WHO standards.
Water Supply Service Continuity	Continuity of service (Hrs./day) at minimum pressure	22	24	22.2 Hrs/ day. Some ongoing issues associated with supply to certain customers following shutdown of Kongulai supply following heavy rain.
	Customers with continuous supply (%)	93%	95%	Some issues associated with supply to certain customers following shutdown of Kongulai supply following heavy rain.
	Frequency of Water main breaks (breaks/km/yr)	2.6	2.2	0.95 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%	59 %
	Extent of water metering (%)	88%	95%	95.6% of connected customers have water meters.
Water Supply Systems Pressures	Minimum pressure at water meter (m)	Unknown	10	Average around 8 m but can drop to zero during times of shutdown or high demand.

	Maximum pressure at water meter (m)	Unknown	70	100 m in some areas.
Demand Management	Residential water consumption (L/person/d)	177	170	150 l/person/d (based on average domestic consumption of 1,052 l/conn/d and Household occupancy rate of 7 persons/household – 2009 census
Water Security	Frequency of water restrictions and/or rationing due to raw water capacity limitations	Unknown	1 month per year	41 days of restricted supply to parts of Honiara due to Kongulai and Kombito supply shutdowns due to high turbidity water following heavy rain.
Wastewater Service Continuity	Frequency of sewer main blockages (blockages/km/yr.)	6.7	5.0	4.9
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	146 Lengthened collection period due to economic downturn
	Collection ratio (income as % of billed revenue)	84%	90%	83 % Reduced collection due to economic downturn
	Staff per 1,000 water & wastewater connections	18	12	11.7
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 2020

SOLOMON ISLANDS WATER AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 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:

Mr Carson Korowa (Chairman)
Mr Trevor Palmer
Ms Cynthia Wickham
Mr Donald Marahare
Mr John Belande
Mr David Patternot
Ms Gloria Hong
Mr William Parairato

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 2020, 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 income for the year was SBD 17,100,310 (2019: SBD 2,343,181).

Dividends
The Directors recommend that no dividends be declared and proposed for the year (2019: 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.

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
Solomon Islands averted community infection of COVID-19 but the economy was significantly impacted by the effect of border closures. In response, the Government launched an Economic Stimulus Package of SBD 309 million. Of this, the Authority was allocated SBD 5 million which in turn was used partly to boost Non-Revenue Water (NRW) activities and support cash flow.

Cash collections from billing in 2020 declined over the prior year despite increased tariff and customer growth. While this decline cannot entirely and reliably be attributed to the pandemic, the flight of customers to the provinces in March 2020 contributed to a drop in consumption. Anecdotal evidence also pointed to an increase in illegal NRW activity.

Upgrade of the water supply in Auki, a key project under the UWSSSP package, was delayed for three months between March 2020 and June 2020, with the contractor raising a claim against the Authority. In general, delays in project implementation arose due to consultants and contractors not being able to enter the country or due to the flight of such expertise out of the country. With a paucity of resources in-country, project costs increased.

Being an essential service provider, the Authority invested significant management resources in preparing and testing a COVID-19 Preparedness Resource Plan.

SOLOMON ISLANDS WATER AUTHORITY

DIRECTORS' REPORT (continued)

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 subsequent financial years.

Dated at Honiara, Solomon Islands, this 14th day of October 2021.

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 2020;

(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 2020;

(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 2020;

(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 2020;

(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 14th day of October 2021.

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 accompanying financial statements of Solomon Islands Water Authority (the Authority) which comprise the Statement of Financial position as at 31 December 2020, and the Statements of profit or loss and other comprehensive income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 25.

In my opinion the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' 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.

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 auditors' report thereon. Our 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.

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

Management are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, 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 objective is 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.

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.

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

Report on the Audit of the Financial Statements (Continued)

Report on Other Legal and Regulatory Requirements

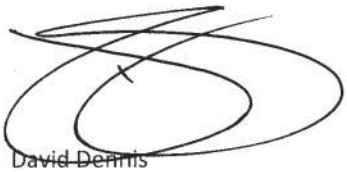
I have obtained all the information and explanations which, to the best of my knowledge and belief, are necessary for the purposes of my audit.

In my opinion:

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 relate. The process was delayed due to the timing of my appointment as Auditor-General. The signed statements were presented to me on 14 October 2021 following my commencement as Auditor-General on 24 September 2021.



David Dennis
Auditor-General
14 October 2021

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 2020

	Note	2020 SBD	2019 SBD
Continuing operations			
Revenue from contracts with customers	5	98,257,235	95,077,730
Other income	6	34,122,941	13,261,138
		132,380,176	108,338,868
Expenses			
Corporate expenses	7	(26,650,218)	(21,941,166)
Depreciation and amortisation		(11,409,775)	(9,160,264)
Salaries and employee benefits	8	(33,582,079)	(31,021,973)
Impairment of financial assets	4 (i)	(7,513,150)	1,010,014
Repairs and maintenance		(5,874,053)	(12,358,347)
Tools and uniforms		(1,227,548)	(389,428)
Utilities		(25,887,837)	(30,395,892)
Water treatment		(1,243,955)	(1,360,855)
		(113,388,615)	(105,617,911)
Finance income	9 (a)	38,203	19,791
Finance costs	9 (b)	(1,929,454)	(397,567)
Net profit for the year		17,100,310	2,343,181
Other comprehensive income		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		17,100,310	2,343,181

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

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Capital Contribution SBD	Asset Revaluation Reserve SBD	Retained Earnings SBD	Total SBD
Balance at 1 January 2019		**59,625,874**	**106,234,342**	**43,096,141**	**208,956,357**
Total comprehensive income for the year					
Profit for the year		-	-	2,343,181	2,343,181
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	2,343,181	2,343,181
Balance at 31 December 2019		**59,625,874**	**106,234,342**	**45,439,322**	**211,299,538**
Opening balance adjustments (Refer Note 16(b))		-	(2,145,496)	-	(2,145,496)
Restated balance 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		-	-	17,100,310	17,100,310
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	17,100,310	17,100,310
Balance at 31 December 2020		**59,625,874**	**104,088,846**	**62,539,632**	**226,254,352**

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 FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 SBD	2019 SBD
Assets			
Current assets			
Cash and cash equivalents	10	28,532,137	9,366,569
Trade receivables	11	16,324,529	15,827,135
Contract assets	12	4,101,076	2,783,803
Debt securities	15	10,000,000	10,000,000
Inventories	13	7,474,971	8,460,042
Other receivables and prepayments	14	3,227,359	3,196,280
		69,660,072	**49,633,829**
Non-current assets			
Property, plant and equipment	16	306,581,840	279,386,783
Intangible assets	17	-	248,888
Right-of-use assets	18 (i)	3,299,836	2,770,649
		309,881,676	**282,406,320**
Total assets		**379,541,748**	**332,040,149**
Liabilities			
Current liabilities			
Trade and other payables	19	12,340,372	15,858,666
Employee benefits liability	20	2,862,265	1,379,099
Contract liabilities	12	1,623,186	908,877
Lease liabilities	18 (ii)	891,862	950,344
Deferred revenue	21	3,696,272	3,028,969
Payable to related parties	24 (e)	184,443	720,464
		21,598,400	**22,846,419**
Non-current liabilities			
Lease liabilities	18 (ii)	2,564,534	1,893,974
Deferred revenue	21	93,770,842	96,000,218
Payable to related parties	24 (e)	35,353,620	-
		131,688,996	**97,894,192**
Total liabilities		**153,287,396**	**120,740,611**
Equity			
Capital contribution	22	59,625,874	59,625,874
Asset revaluation reserve		104,088,846	106,234,342
Retained earnings		62,539,632	45,439,322
Total equity		**226,254,352**	**211,299,538**
Total equity and liabilities		**379,541,748**	**332,040,149**

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.

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2020

	Note	2020 SBD	2019 SBD
Operating activities			
Net profit		**17,100,310**	**2,343,181**
Adjustment to reconcile profit to net cash flows			
Non-cash:			
Amortisation of deferred revenue	6	(3,696,272)	(3,028,969)
Amortisation of discount on interest free loan	9 (b)	217,037	217,037
Amortisation of discount on low interest loan	9 (b)	1,431,558	-
Allowance for doubtful debts	4 (i)	7,513,150	(1,010,014)
Depreciation and amortisation of assets	16, 17, 18	11,409,775	9,160,264
Interest expense on lease liability	9 (b)	203,208	180,530
Inventory obsolescence	7	1,039,705	893,783
Loss on disposal of property, plant and equipment	7	-	63,492
Movements in employee benefit liabilities		1,483,166	(269,000)
Working capital adjustments:			
Non-cash:			
Increase in trade receivables		(8,010,544)	(317,302)
Increase in other receivables		(31,079)	(1,591,222)
(Increase) / decrease in contract assets		(1,317,273)	810,721
Decrease in inventory		540,615	4,197,261
(Decrease) / increase in trade and other creditors		(3,518,294)	301,396
(Decrease) / increase in contract liabilities		714,309	678,873
Net cash flows from operating activities		**25,079,371**	**12,630,031**
Investing activities			
Acquisition of plant and equipment	16	(40,115,929)	(37,687,681)
Proceeds from sale of plant and equipment		-	193,500
Purchase of intangible assets	17	-	(426,882)
Investment in debt securities	15	-	(3,425,535)
Receipt of donor grants		2,134,199	-
Net cash flows used in investing activities		**(37,981,730)**	**(41,346,598)**
Financing activities			
Proceeds from related party borrowings	24 (e)	34,106,504	-
Repayments of related party borrowings	24 (e)	(937,500)	(642,338)
Payment of lease liabilities	18 (a) (ii)	(1,101,077)	(1,082,088)
Net cash flows from / (used in) financing activities		**32,067,927**	**(1,724,426)**
Net decrease in cash and cash equivalents		19,165,568	(30,440,993)
Cash and cash equivalents at the beginning of the year		**9,366,569**	**39,807,562**
Cash and cash equivalents at end of year	10	**28,532,137**	**9,366,569**

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

SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. Reporting entity

Solomon Islands Water Authority (the "Authority") is a state owned enterprise established under the Solomon Islands Water Authority Act 1992. 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 14 October 2021.

(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, 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(g)

(e) COVID-19 Impact

Solomon Islands averted community infection of COVID-19 but the economy was significantly impacted by the effect of border closures. In response, the Government launched an Economic Stimulus Package of SBD 309 million. Of this, the Authority was allocated SBD 5 million which in turn was used partly to boost Non-Revenue Water (NRW) activities and support cash flow.

Cash collections from billing in 2020 declined over the prior year despite increased tariff and customer growth. While this decline cannot entirely and reliably be attributed to the pandemic, the flight of customers to the provinces in March 2020 contributed to a drop in consumption. Anecdotal evidence also pointed to an increase in illegal NRW activity.

Upgrade of the water supply in Auki, a key project under the UWSSSP package, was delayed for three months between March 2020 and June 2020, with the contractor raising a claim against the Authority. In general, delays in project implementation arose due to consultants and contractors not being able to enter the country or due to the flight of such expertise out of the country. With a paucity of resources in-country, project costs increased.

Being an essential service provider, the Authority invested significant management resources in preparing and testing a COVID-19 Preparedness Resource Plan.

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) Government grants

When the Authority receives 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.

(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.

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.

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 were 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 and 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(d) 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. To assess whether a contract conveys the right to control the use of an identified asset, the Authority uses the definition of a lease in IFRS 16.

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. Generally, 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 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 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 assets

If the terms of a financial asset are modified, the Authority evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset 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 asset carried at amortised cost are not substantially different, then the modification does not result in de recognition of the financial asset. In this case, the Authority recalculates the gross carrying amount of the financial asset 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 90 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 uncollectable, 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 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) 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 the Authority 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 the Authority 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.

(r) Comparative figures

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

(s) 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 2020 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); and
- Definition of a Business (Amendments to IFRS 3).

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:

	2020 SBD	2019 SBD
Impairment loss / (reversal) on trade receivables and contract assets arising from contracts with customers	7,513,150	(1,010,014)

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 maximum exposure to credit risk at the reporting date is disclosed in Note 4. 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 an allowance 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 SBD	Gross carrying amount SBD	Loss allowance SBD	Credit impaired SBD
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	12,573,819	9,597,938
Specific provision for trade receivables		-	641,315	(641,315)
		33,441,722	17,117,193	16,324,529
31 December 2019				
Current (not past due)	23.37%	6,543,865	1,529,310	5,014,555
31 - 60 days past due	38.40%	2,668,425	1,024,639	1,643,786
61 - 90 days past due	57.49%	1,956,916	1,124,936	831,980
More than 90 days past due	56.71%	19,258,493	10,921,679	8,336,814
		30,427,699	14,600,564	15,827,135

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.

	2020 SBD	2019 SBD
Balance at 1 January	14,600,564	17,210,084
Amounts written off	(4,996,521)	(1,599,506)
Net remeasurement of loss allowance	7,513,150	(1,010,014)
Balance at 31 December	17,117,193	14,600,564

Cash and cash equivalents

The Authority held cash and cash equivalents of SBD 28,508,855 (2019: SBD 9,342,069). Cash and cash equivalents are held with banks which are rated AA- 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 Authority considers that its cash have low credit risk ratings of the counterparties.

The amount of impairment allowance at 31 December 2020 is SBD Nil (2019: SBD Nil).

Debt securities

The Authority held debt investment securities of SBD 10,000,000 at 31 December 2020 (2019: 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 did not recognise an impairment allowance against debt securities as at 31 December 2020 (2019: 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 2020	**Carrying amount**	**Less than 1 year**	**1 - 2 years**	**More than 2 years**
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
31 December 2019				
Trade and other payables	15,858,666	15,858,666	-	-
Payable to related parties	720,464	937,500	-	-
Lease liabilities	2,844,318	1,082,088	1,643,497	711,798
	19,423,448	17,878,254	1,643,497	711,798

(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. 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.

		2020 SBD	2019 SBD
5.	**Revenue from contracts with customers**		
	Water sales	91,657,409	89,438,819
	Standing and unmetered	6,205,639	4,889,841
	Reconnection, disconnection, meter testing, service amplification, water & sewer main extension	394,187	749,070
		98,257,235	95,077,730
6.	**Other income**		
	ADB contribution in kind	11,498,211	4,978,404
	ADB - UWSSSP grant income	2,840,433	-
	Amortisation of deferred revenue	3,696,272	3,028,969
	Bad debts recovered	1,521,569	793,294
	Concessional loan grant income	3,881,619	-
	Miscellaneous income	133,387	150,471
	Solomon Islands Government - CSO grant	3,776,642	4,310,000
	Solomon Islands Government - COVID-19 Stimulus package	4,585,233	-
	Special project income - SPG	2,189,575	-
		34,122,941	13,261,138
7.	**Corporate expenses**		
	Advertising	249,124	294,167
	Asset write-off (Refer Note 16 (a))	-	2,595,235
	Accounting fees	86,160	67,725
	Auditors' remuneration	256,990	461,150
	Bank fees and charges	40,559	32,736
	Board allowances	81,800	55,600
	Consultant fees	17,243,420	8,565,291
	Insurance	714,562	845,101
	Inventory obsolescence	1,039,705	893,783
	Lease rentals	227,936	827,553
	Legal fees	29,867	91,080
	Loss on sale of fixed assets	-	63,492
	Other expenses	2,479,678	1,063,726
	Printing, freight and stationery	1,127,795	1,568,421
	Software training and computer consumables	1,151,120	2,464,495
	Telephone	1,345,871	1,339,699
	Travel and transport	575,631	711,912
		26,650,218	21,941,166
8.	**Salaries and employee benefits**		
	Wages and salaries, including leave benefits	12,428,066	12,150,830
	Key management personnel - short term benefits	8,471,349	7,382,526
	Key management personnel - Superannuation contributions	970,894	532,306
	Superannuation contributions	1,449,917	1,849,553
	House rentals and allowances	10,261,853	9,106,758
		33,582,079	31,021,973

9. Finance income and finance costs	2020 SBD	2019 SBD
(a) Finance income		
Interest income	38,203	19,791
(b) Finance cost		
Amortisation of discount - SIEA loan	217,037	217,037
Interest expense - lease liability	203,208	180,530
Realised foreign exchange loss	77,651	-
UWSSSP ADB concessional loan - interest	899,445	-
UWSSSP World Bank concessional loan - interest	532,113	-
	1,929,454	397,567

10. Cash and cash equivalents		
Cash at bank	28,508,855	9,342,069
Cash on hand	23,282	24,500
Cash and cash equivalents as per statement of cash flows	28,532,137	9,366,569

11. Trade receivables		
Trade receivables	33,441,722	30,427,699
Provision for impairment of receivables	(17,117,193)	(14,600,564)
	16,324,529	15,827,135
Movements in the provision for impairment of receivables were as follows:		
Opening balance	(14,600,564)	(17,210,084)
Charge for the year	(7,513,150)	1,010,014
Utilised during the year	4,996,521	1,599,506
Closing balance	(17,117,193)	(14,600,564)

12. Contract balances

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

Contract assets	4,101,076	2,783,803
Contract liabilities	(1,623,186)	(908,877)
	2,477,890	1,874,926

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

	2020	2019
	SBD	SBD
Stores and consumables	9,127,429	9,353,825
Provision for inventory obsolescence	(1,652,458)	(893,783)
	7,474,971	8,460,042
Provision for inventory obsolescence		
Balance at 1 January	(893,783)	-
Provision created during the year	(1,039,705)	(893,783)
Provision utilised during the year	281,030	-
Balance at 31 December	(1,652,458)	(893,783)

14. Other receivables and prepayments

Grant receivable - ADB UWSSSP	85,958	-
Other debtors	543,407	946,070
Prepayments	2,597,994	2,250,210
	3,227,359	3,196,280

15. Debt securities

Term deposits	10,000,000	10,000,000

The interest rate on term deposits is 1% (2019: 1%). The deposit has a maturity of 180 days (2019: 180 days).

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 2019	300,555,545	10,264,762	11,394,124	10,464,455	459,982	14,526,474	347,665,342
Additions	-	-	-	1,900,070	-	35,787,611	37,687,681
Disposals	-	-	(605,471)	(504,545)	-	-	(1,110,016)
Reclassifications	(2,804,324)	-	-	-	-	(932,722)	(3,737,046)
Transfers	15,910,755	12,723,417	989,533	-	402,656	(30,026,361)	-
Write-off (Refer Note 16(a))	-	-	-	-	-	(2,595,235)	(2,595,235)
Balance at 31 December 2019	313,661,976	22,988,179	11,778,186	11,859,980	862,638	16,759,767	377,910,726
Opening balance adjustments (Refer Note 16(b))	(2,814,687)	-	-	-	-	669,191	(2,145,496)
Balance at 1 January 2020	310,847,289	22,988,179	11,778,186	11,859,980	862,638	17,428,958	375,765,230
Additions	17,911,585	13,780,485	299,289	1,601,244	38,094	6,485,232	40,115,929
Transfers (Refer Note 16(c))	(744,061)	-	-	-	-	-	(744,061)
Balance at 31 December 2020	328,014,813	36,768,664	12,077,475	13,461,224	900,732	23,914,190	415,137,098
Accumulated depreciation							
Balance at 1 January 2019	65,829,695	3,662,763	11,267,371	10,235,678	459,982	-	91,455,489
Depreciation	7,072,073	511,102	89,261	245,629	7,459	-	7,925,524
Disposals	3,031	-	(413,569)	(446,532)	-	-	(857,070)
Balance at 31 December 2019	72,904,799	4,173,865	10,943,063	10,034,775	467,441	-	98,523,943
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
Transfers (Refer Note 16(c))	(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
Carrying amounts							
At 31 December 2019	240,757,177	18,814,314	835,123	1,825,205	395,197	16,759,767	279,386,783
At 31 December 2020	246,983,846	31,550,263	899,459	2,883,682	350,400	23,914,190	306,581,840

16. Property, plant and equipment (continued)

(a) Asset write-off

During 2019, the Authority reviewed its Capital Work in Progress listing for all on-going projects and wrote-off Work in Progress in relation to Mataniko project as it noted that the project would not continue.

(b) Opening balance adjustments

- During 2019, an adjustment for capitalised asset under Water Systems class of asset was incorrectly made against the Work-in-Progress for an amount of SBD 669,191. This has been corrected and taken as an opening balance adjustment to correct the opening balances for particular classes of asset.
- The Authority disposed of assets for Water Systems in prior years of SBD 2,145,496. The disposal was not correctly effected in the financial statements. This has been corrected and taken as opening balance adjustment to correct the opening balances for the asset. Related entry has been taken against asset revaluation reserve account for the similar amount.

(c) Transfers to inventory

During 2020, cash water meters for a written down value amount of SBD 595,249 classed under Water Systems were transferred back to inventory.

(d) 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 2020, 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 2020 depreciation expense for the Authority by a net amount of SBD 495,970, hence leading to a reduction in profit before tax of the same amount for the Authority.

17. Intangible assets

	2020 SBD	2019 SBD
Cost		
Balance at 1 January	879,690	452,808
Additions during the year	-	426,882
Balance at 31 December	879,690	879,690
Accumulated amortisation		
Balance at 1 January	630,802	367,249
Amortisation expense during the year	248,888	263,553
Balance at 31 December	879,690	630,802
Carrying amount as at 31 December	-	248,888

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

	2020 SBD	2019 SBD
Balance at 1 January	2,770,649	3,745,876
Additions during the year	1,509,947	-
Depreciation charge during the year	(980,760)	(975,227)
Balance at 31 December	3,299,836	2,770,649

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

(ii) Lease liabilities	2020 SBD	2019 SBD
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,052,778	1,082,088
One to five years	1,332,245	1,768,560
More than five years	4,821,703	586,735
Total undiscounted liabilities at 31 December	7,206,726	3,437,383
Lease liabilities included in the statement of financial position at 31 December		
Current	891,862	950,344
Non-current	2,564,534	1,893,974
	3,456,396	2,844,318
Amounts recognised in profit or loss		
Interest on lease liabilities	203,208	180,530
Variable lease payments not included in the measurement of lease liabilities	227,936	827,553
	431,144	1,008,083
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	1,101,077	1,082,088

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 typically run for a period of two years with an option to renew the lease for an additional period as per the lease agreements after the end of initial lease term. The 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.

	2020 SBD	2019 SBD
19. Trade and other payables		
Trade payables	610,883	-
Other payables	6,155,584	10,366,210
Water deposits	5,573,905	5,492,456
	12,340,372	15,858,666
20. Employee benefit liability		
Annual leave	1,607,628	486,099
Long service benefit	563,973	560,257
Long service leave	690,664	332,743
	2,862,265	1,379,099
Balance at the beginning of year	1,379,099	1,648,099
Net movement during the year	1,483,166	(269,000)
Balance at the end of year	2,862,265	1,379,099

21. Deferred Revenue

	2020 SBD	2019 SBD
Donor Funds Received for Capital Projects and Spent		
Asian Development Bank	1,534,885	-
Australian Government Department of Foreign Affairs and Trade	12,245,119	12,511,770
Japan International Cooperation Agency	78,982,338	81,917,549
Solomon Islands Government	4,704,772	4,599,868
	97,467,114	99,029,187
As disclosed in the statement of financial position:		
Current	3,696,272	3,028,969
Non-current	93,770,842	96,000,218
	97,467,114	99,029,187

	2020 SBD	2019 SBD
22. Contributed capital		
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

- An employee of the Authority has filed a complaint in the Trade Disputes Panel claiming compensation for unfair dismissal. The Authority is still 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.

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:

Mr Carson Korowa (Chairman)
Mr Trevor Palmer
Ms Cynthia Wickham
Mr Donald Marahare
Mr John Belande
Mr David Patternot
Ms Gloria Hong
Mr William Parairato

24. Related party transactions (continued)

(b) Controlling entities

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

	2020 SBD	2019 SBD
(c) Compensation of key management personnel		
Short term employee benefits	8,471,349	7,382,526
Superannuation contributions	970,894	532,306
	9,442,243	7,914,832

(d) Transactions with related parties

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

	2020 SBD	2019 SBD
Controlling entity		
Solomon Islands Government - COVID-19 Stimulus package	5,000,000	-
Solomon Islands Government - CSO grant	3,776,642	4,310,000
	8,776,642	4,310,000
Directors		
Directors remuneration and expenses	81,800	55,600

(e) Amount owed to related parties

Current		
Solomon Islands Electricity Authority	1	720,464
Solomon Islands Government - Asian Development Bank Loan	135,363	-
Solomon Islands Government - World Bank Loan	49,079	
	184,443	720,464
Non-current		
Solomon Islands Government - Asian Development Bank Loan	22,677,786	-
Solomon Islands Government - World Bank Loan	12,675,834	-
	35,353,620	-

On 1st January 2020, the Authority entered into a concessional loan agrement with Solomon Islands Government for the funding of UWSSSP. 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 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.

25. 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

ANNUAL REPORT

Solomon Islands Water Authority

2020

P.O Box 1407, Honiara ph 44700 www.solomonwater.com.sb