

Solomon Islands Water Authority

Financial Statements

For the year ended

31 December 2010

Solomon Islands Water Authority
For the year ended 31 December 2010

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Solomon Islands Water Authority

Directors' report

The directors present their report together with the financial statements of the Authority for the year ended 31 December 2010 and the auditors' review report thereon.

Directors

The directors in office at the date of this report are:

Phil Bradford (Chairman)

David Laurie

Antoinette Wickham

Ethel Frances

State of affairs

In complying with the Solomon Islands Water Act 1993 and the State Owned Enterprises Act 2007, the Directors hereby submit the financial statements of the Authority as at 31st December 2008 consisting of the statements of financial position, profit and loss, changes in equity and statement of cash flows of the authority for the period then ended.

Principal activity

The principal activity of the Authority during the year was treatment and distribution of water and waste.

Results

The net loss amounted to \$13,138,030 (2009: \$4,738,457).

Going concern and financial support

The Authority had a working capital deficiency of \$8,546,231(2009:\$71,069) as at 31 December 2010 and incurred a net loss of \$13,138,030 (2009: \$4,738,457) for the year ended on that date. The Authority's continuation as a going concern is dependent upon its ability to maintain appropriate financing and/or to generate sufficient cash flows from operations in order to meet its obligations and to return to profitable operations.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Authority be unable to continue as going concern.

The directors consider the application of the going concern principle to be appropriate in the preparation of these financial statements as the Authority is the single provider of water services in Solomon Islands and is a state owned enterprise.

Solomon Islands Water Authority

Directors' report (continued)

Significant events during the year

In July 2010, a new board of directors was appointed.

In August 2010, casual staff were laid off and subsequently in November 2010, permanent staff were made redundant as part of a restructuring programme.

In November 2010, the court ordered the Authority to pay the sum of \$465,000 as compensation to the plaintiff in the Fiubala v SIWA case. The case was appealed by the Authority.


Subsequent events

In October 2011, approximately SBD 14.92m was obtained from AusAID for the funding of the Authority's recovery and action plan. Additionally, approximately SBD 170m was obtained from JAICA (Japanese International Cooperation Agency) for the funding of the Authority's medium term water supply improvement project.


Apart from these event, there has not arisen in the interval between the end of the year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly 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 26th day of July 2012.

Signed in accordance with a resolution of the directors.



Director P.J.R. JIRADFORD



Director P.T. LAURIE



INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Water Authority

I was engaged to audit the accompanying financial statements of the Solomon Islands Water Authority ("the Authority"), which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 6 to 23.

Directors and management's responsibility for the financial statements

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

Auditors' responsibility

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

1) Inadequacy of internal control and lack of supporting documents

I was unable to assess the internal control environment of the Authority for the financial year. The lack of oversight by management over the financial reporting process and lack of reconciliations and monitoring of transactions have rendered the internal control environment inadequate to ensure the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2) Property, plant and equipment

- a) The existence and valuation of balances related to property, plant and equipment could not be verified in the absence of an accurate fixed assets register in prior years and valuation report.
- b) The Authority has not performed an impairment assessment of its property, plant and equipment as at 31 December 2010.

As a result I am unable to confirm or verify by alternative means the carrying amount of the property, plant and equipment balances included in the financial statements as at 31 December 2010. Accordingly, I am not able to determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Water Authority

Basis for disclaimer of opinion (continued)

3) *Inventories*

- a) I was unable to satisfy myself on the existence of the inventory items counted during year-end stock take in the absence of proper inventory records.
- b) I was unable to verify the completeness and accuracy of inventory balances due to the lack of proper inventory records.

As a result I am unable to confirm or verify by alternative means the carrying amount of the inventory balance included in the financial statements as at 31 December 2010. Accordingly, I am not able to determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

4) *Trade, other receivables and water sales*

- a) The completeness, accuracy and valuation of balances related to trade receivables could not be verified in the absence of an aged debtors listing at year end.
- b) The sales accounts in the general ledger contain unexplained debit entries.
- c) Water sales in the general ledger are not reconciled to the sales per the Authority's billing system.

As a result I am unable to confirm or verify by alternative means the carrying amount of the trade and other receivables balances included in the financial statements as at 31 December 2010 and water sales recorded for the year then ended. Accordingly, I am not able to determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

5) *Trade and other payables and expenses*

The completeness, existence and accuracy of trade and other payables could not be verified in the absence of supporting documentation for expenses incurred during the year.

As a result I am unable to confirm or verify by alternative means the carrying amount of the trade and other payables and employee benefits liabilities included in the financial statements as at 31 December 2010 and expenses recorded for the year then ended. Accordingly, I am not able to determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

Disclaimer of opinion

Due to the significance of the matters discussed in the preceding paragraphs, I do not express an opinion on the financial statements of the Authority for the year ended 31 December 2010.

Report on Other Legal and Regulatory Requirements

Lack of compliance with Public Finance and Audit Act

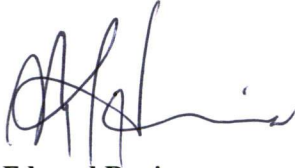
The Authority has not complied with the requirements of the *Public Finance and Audit Act* which requires the audited financial statements to be placed before the Minister responsible before 31 March of the following year to which the financial statements relate.

INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Water Authority

Lack of compliance with the State Owned Enterprises Act

The Authority has not complied with Sections 13 to Section 17 of the *State Owned Enterprises Act* which requires the Authority to provide a number of documents to the responsible Minister.



Mr Edward Ronia
Auditor-General

Office of the Auditor-General
Honiara, Solomon Islands

16th August 2012

Solomon Islands Water Authority
Statement of comprehensive income
For the year ended 31 December 2010

	Note	2010 SBD	2009 SBD
Revenue	5	25,400,474	27,247,504
Other income	6	<u>535,877</u>	<u>591,964</u>
		25,936,351	27,839,468
Less expenses			
Corporate expenses	7	(1,631,439)	(1,820,355)
Depreciation	11	(3,529,547)	(4,164,059)
Employee costs	8	(9,043,262)	(8,946,504)
Repairs and maintenance		(1,398,868)	(1,559,177)
Tools and uniforms		(91,334)	(131,783)
Utilities	9	(16,090,566)	(15,106,266)
Water treatment		(472,137)	(184,212)
Other expenses	10	(6,817,228)	(665,569)
Profit / (loss) from operations		<u>(13,138,030)</u>	<u>(4,738,457)</u>
Finance income		-	-
Net loss for the year		<u>(13,138,030)</u>	<u>(4,738,457)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year		<u><u>(13,138,030)</u></u>	<u><u>(4,738,457)</u></u>

The above statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 10 to 23.

Solomon Islands Water Authority
Statement of changes in equity
For the year ended 31 December 2010

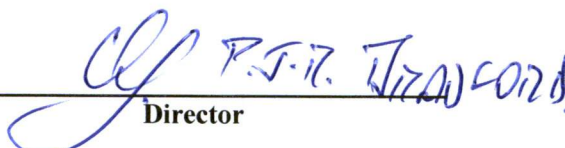
	Note	Contributed capital SBD	Accumulated losses SBD	Total SBD
Balance at 1 January 2009		39,625,874	(15,999,012)	23,626,862
<i>Total comprehensive income for the year</i>				
Net loss for the year		-	(4,738,457)	(4,738,457)
Other comprehensive income		-	-	-
		<u>-</u>	<u>(4,738,457)</u>	<u>(4,738,457)</u>
Balance at 31 December 2009		39,625,874	(20,737,469)	18,888,405
<i>Total comprehensive income for the year</i>				
Net profit for the year		-	(13,138,030)	(13,138,030)
Other comprehensive income		-	-	-
		<u>-</u>	<u>(13,138,030)</u>	<u>(13,138,030)</u>
Balance at 31 December 2010		<u>39,625,874</u>	<u>(33,875,499)</u>	<u>5,750,375</u>


The above statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 10 to 23.

Solomon Islands Water Authority
Statement of financial position
As at 31 December 2010

Assets	Note	2010 SBD	2009 SBD
Non-current assets			
Property, plant and equipment	11	16,354,679	18,959,474
Total non-current assets		<u>16,354,679</u>	<u>18,959,474</u>
Current assets			
Cash and cash equivalents	12	1,793,840	1,653,385
Inventories	13	815,039	1,475,476
Trade and other receivables	14	19,322,662	22,305,332
Total current assets		<u>21,931,541</u>	<u>25,434,193</u>
Total assets		<u><u>38,286,220</u></u>	<u><u>44,393,667</u></u>
Equity			
Contributed capital	15	39,625,874	39,625,874
Retained earnings		(33,875,499)	(20,737,469)
Equity		<u>5,750,375</u>	<u>18,888,405</u>
Non-current liabilities			
Employee benefits	16	2,058,073	-
Total non-current liabilities		<u>2,058,073</u>	<u>-</u>
Current liabilities			
Employee benefits	16	413,851	2,183,550
Trade and other payables	17	30,063,921	23,321,712
Total current liabilities		<u>30,477,772</u>	<u>25,505,262</u>
Total liabilities		<u><u>32,535,845</u></u>	<u><u>25,505,262</u></u>
Total equity and liabilities		<u><u>38,286,220</u></u>	<u><u>44,393,667</u></u>

Signed for and on behalf of the Board of Directors


 Director


 Director
 D. T. CAURIE

The above statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 10 to 23.

Solomon Islands Water Authority
Statement of cash flows
For the year ended 31 December 2010

	Note	2010 SBD	2009 SBD
Cash flows from operating activities			
Cash received from customers		21,296,087	18,469,812
Cash paid to suppliers and employees		<u>(20,230,880)</u>	<u>(17,712,878)</u>
Net cash provided by / (used) in operating activities		<u>1,065,207</u>	<u>756,934</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(924,752)</u>	<u>(309,567)</u>
Net cash used in investing activities		<u>(924,752)</u>	<u>(309,567)</u>
Net increase / (decrease) in cash and cash equivalents		140,455	447,367
Cash and cash equivalents at the beginning of the year		<u>1,653,385</u>	<u>1,206,018</u>
Cash and cash equivalents at 31 December	12	<u><u>1,793,840</u></u>	<u><u>1,653,385</u></u>

The above statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 10 to 23.

Solomon Islands Water Authority
Notes to the financial statements
For the year ended 31 December 2010

1. Reporting entity

Solomon Islands Water Authority (the "Authority") is a state owned enterprise established under the Solomon Islands Water Authority Act 2007. The address of the Authority's registered office and principal place of business is Mendana Avenue, Honiara, Solomon Islands. The principal activity of the Authority during the year was the treatment and distribution of water to the Solomon Islands.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board of Directors on 26/7/12.

(b) Going concern and financial support

The Authority had a working capital deficiency of \$8,270,364 as at 31 December 2010 and incurred a net loss of \$12,898,459 for the year ended on that date. The Authority's continuation as a going concern is dependent upon its ability to obtain appropriate financing and/or to generate sufficient cash flows from operations in order to meet its obligations and to return to profitable operations.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Authority be unable to continue as going concern.

The directors consider the application of the going concern principle to be appropriate in the preparation of these financial statements as the Authority is the single provider of water services in Solomon Islands and is a state owned enterprise.

(c) Basis of measurement

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

(d) Functional and presentation currency

The financial statements are presented in Solomon Island dollars ("SBD"), which is the Authority's functional and presentation currency.

Solomon Islands Water Authority
Notes to the financial statements
For the year ended 31 December 2010

2. Basis of preparation (continued)

(e) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years 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:

- Note 10 - Property, plant and equipment
- Note 12 - Inventories
- Note 13 - Trade and other receivables
- Note 19 - Contingent liabilities

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Solomon Island dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Solomon Island dollars at the exchange rate at that date. Non-monetary items in a foreign currency that are measured on historical cost are translated using the exchange rate at the end of the year. The foreign currency gain or loss on translation are recognised in the profit or

(b) Financial instruments

(i) Non derivative financial asset

The Authority initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Authority becomes a party to the contractual provisions of the instruments.

The Authority derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Authority is recognised as a separate asset or liability.

Solomon Islands Water Authority
Notes to the financial statements
For the year ended 31 December 2010

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Non derivative financial asset (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

The Authority classifies non-derivative financial assets into loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Trade and other receivables

Trade receivables and other assets are measured at initial recognition at fair value. Subsequently, appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.

(ii) Non derivative financial liabilities

All other financial liabilities are recognised initially on the trade date, which is the date that the Authority becomes a party to the contractual provisions of the instrument. The Authority derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Authority classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprises trade and other payables.

(ii) Contributed capital

Contributed capital represents funds contributed by the Government to establish the Authority as a statutory entity.

Solomon Islands Water Authority
Notes to the financial statements
For the year ended 31 December 2010

3. Significant accounting policies (continued)

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains and losses 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 net within other income/other expenses in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Authority. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Items of property, plant and equipment are depreciated from the date they are installed and are ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Furniture, fixtures and fittings	4 years
Land and buildings	20 years
Motor vehicles	4 years
Plant and equipment	2 to 10 years
Water systems	2 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Solomon Islands Water Authority
Notes to the financial statements
For the year ended 31 December 2010

3. Significant accounting policies (continued)

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of the business, less the estimated costs of completion.

(e) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Authority on terms that the Authority will not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers to the Authority and economic conditions that correlate with defaults.

Loans and receivables

The Authority considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment the Authority uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic conditions and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Solomon Islands Water Authority
Notes to the financial statements
For the year ended 31 December 2010

3. Significant accounting policies (continued)

(e) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Authority's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

(f) Income tax

The Authority is exempt from income tax under the Solomon Islands Water Authority Act 2007.

(g) Employee benefits

i) Defined contribution plans

A defined contribution plan is a post-employment benefit 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 percent of the employees' gross salaries and contributes 7.5 percent of employees gross salaries to the Solomon Islands National Provident Fund. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

ii) Short-term benefits

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

(h) Trade payables and other payables

Trade and other payables are stated at cost.

(i) Revenue recognition

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

Solomon Islands Water Authority
Notes to the financial statements
For the year ended 31 December 2010

3. Significant accounting policies (continued)

(j) Government grants

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

Other government 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.

4. Financial risk management

Overview

The Authority has exposure to the following risks from its use of financial instruments:

- i) Credit risk
- ii) Liquidity risk

This note presents information about the Authority's exposure to each of the above risks, the Authority's objectives, policies and processes for measuring and managing risk, and the Authority's management of capital.

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'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.

(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.

Trade and other receivables

The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However management also considers the demographics of the Authority's customer base, including the default risk of the industry as these factors may have an influence on credit risk.

Solomon Islands Water Authority
Notes to the financial statements
For the year ended 31 December 2010

4. Financial risk management (continued)

(i) Credit risk (continued)

Trade and other receivables (continued)

The Authority establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Authority's maximum exposure to credit risk is as follows:

	2010	2009
	SBD	SBD
Cash and cash equivalents	1,793,840	1,653,385
Trade receivables	19,068,545	21,728,188
Other receivables excluding prepayments	222,280	577,144
	<u>21,084,665</u>	<u>23,958,717</u>

Trade and other receivables are determined impaired as follows:

Trade and other receivables

Gross receivables	29,717,558	32,377,201
Specific impairment	<u>(10,649,013)</u>	<u>(10,649,013)</u>
	<u>19,068,545</u>	<u>21,728,188</u>

(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.

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

Solomon Islands Water Authority
Notes to the financial statements
For the year ended 31 December 2010

4. Financial risk management (continued)

(ii) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities:

31 December 2010

	Carrying amount SBD	6 months or less SBD	6-12 months SBD	1- 2years SBD
<u>Financial liabilities</u>				
Trade and other payables	30,063,921	30,063,921	-	-
	<u>30,063,921</u>	<u>30,063,921</u>	<u>-</u>	<u>-</u>

31 December 2009

	Carrying amount SBD	6 months or less SBD	6-12 months SBD	1- 2years SBD
<u>Financial liabilities</u>				
Trade and other payables	23,321,712	23,321,712	-	-
	<u>23,321,712</u>	<u>23,321,712</u>	<u>-</u>	<u>-</u>

5. Revenue

	2010 SBD	2009 SBD
Water fees and charges	24,298,590	26,086,471
Standing charges	947,772	1,050,316
Disconnections / reconnection charges	154,112	110,717
	<u>25,400,474</u>	<u>27,247,504</u>

6. Other income

	2010 SBD	2009 SBD
House deposits	-	302,330
Miscellaneous income	535,877	289,634
	<u>535,877</u>	<u>591,964</u>

Solomon Islands Water Authority
Notes to the financial statements
For the year ended 31 December 2010

7. Corporate expenses	2010	2009
Included in corporate expenses are the following items:	SBD	SBD
Advertising	107,601	70,297
Audit fees	29,360	347,903
Board allowances	78,839	139,450
Travel and transport	442,424	441,426
Printing and stationery	194,650	284,289
Insurance	-	635
Software training and computer consumables	79,972	61,349
Telephone	267,012	383,098
	<u>9,043,262</u>	<u>8,946,504</u>
8. Employee costs		
Wages and salaries expense	5,608,035	6,069,501
Key management compensation	316,319	427,991
National Provident Fund Contributions	113,229	365,835
House rentals and allowances	2,337,493	1,650,783
Other staff related costs	668,186	432,394
	<u>9,043,262</u>	<u>8,946,504</u>
9. Utilities		
Electricity	15,050,102	13,921,203
Fuel	57,539	28,349
Motor vehicle running expenses	982,925	1,156,714
	<u>16,090,566</u>	<u>15,106,266</u>
10. Other expenses		
General expenses	3,360,912	665,569
Other unreconciled expenses	3,456,316	-
	<u>6,817,228</u>	<u>665,569</u>

Solomon Islands Water Authority
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11. Property, plant and equipment

	Water systems SBD	Land and buildings SBD	Machinery and equipment SBD	Motor vehicles SBD	Furniture, fittings and fittings SBD	Total SBD
Cost						
Balance at 1 January 2009	49,033,842	4,654,378	5,263,646	5,008,309	1,340,752	65,300,927
Additions	219,379	-	47,756	-	42,432	309,567
Balance at 31 December 2009	49,253,221	4,654,378	5,311,402	5,008,309	1,383,184	65,610,494
Additions	515,016	149,834	-	-	259,902	924,752
Balance as 31 December 2010	49,768,237	4,804,212	5,311,402	5,008,309	1,643,086	66,535,246
Depreciation						
Balance at 1 January 2009	32,151,187	2,024,115	3,937,139	3,497,816	876,704	42,486,961
Depreciation charge for the year	2,746,919	232,719	466,728	471,394	246,299	4,164,059
Balance at 31 December 2009	34,898,106	2,256,834	4,403,867	3,969,210	1,123,003	46,651,020
Depreciation charge for the year	2,406,178	236,320	235,957	471,394	179,698	3,529,547
Balance as 31 December 2010	37,304,284	2,493,154	4,639,824	4,440,604	1,302,701	50,180,567
Carrying amount						
At 1 January 2009	16,882,655	2,630,263	1,326,507	1,510,493	464,048	22,813,966
At 31 December 2009	14,355,115	2,397,544	907,535	1,039,099	260,181	18,959,474
At 31 December 2010	12,463,953	2,311,058	671,578	567,705	340,385	16,354,679

Solomon Islands Water Authority
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	2010	2009
	SBD	SBD
12. Cash and cash equivalents		
Cash at bank	1,792,540	1,653,385
Cash on hand	1,300	-
	<u>1,793,840</u>	<u>1,653,385</u>
13. Inventories		
Stores and consumables	<u>815,039</u>	<u>1,475,476</u>
14. Trade and other receivables		
Trade receivables	29,717,558	32,377,201
Provision for doubtful debts	<u>(10,649,013)</u>	<u>(10,649,013)</u>
	19,068,545	21,728,188
Staff advances	222,280	298,479
Other receivables and prepayments	<u>31,837</u>	<u>278,665</u>
	<u>19,322,662</u>	<u>22,305,332</u>
15. Contributed capital		
Contributed capital	<u>39,625,874</u>	<u>39,625,874</u>
Capital represents Government's contribution on the establishment of Solomon Islands Electricity Authority. This is not in the form of shares.		
16. Employee benefits	2010	2009
	SBD	SBD
Balance at 1 January	2,183,550	205,355
Net movement during the year	<u>288,374</u>	<u>1,978,195</u>
Balance at 31 December	<u>2,471,924</u>	<u>2,183,550</u>
Represented by:		
Current long service leave	413,851	-
Non-current long service leave	<u>2,058,073</u>	<u>2,183,550</u>
	<u>2,471,924</u>	<u>2,183,550</u>
17. Trade and other payables		
Trade creditors	3,154,509	1,516,835
Payable to Solomon Island Government (refer Note 17 (c))	-	7,764,144
Payable to Solomon Island Electricity Authority (refer Note 17 (c))	26,056,372	13,909,283
Other creditors	<u>853,040</u>	<u>131,450</u>
	<u>30,063,921</u>	<u>23,321,712</u>

Solomon Islands Water Authority
Notes to the financial statements
For the year ended 31 December 2010

18. Related parties

(a) Directors

The directors in office during the year were:

- David Laurie
- Antoinette Wickam
- Ethel Frances
- Phil Bradford

Directors fees and expenses are disclosed in Note 7.

The Company's transactions with directors were on normal terms and conditions.

(b) Identity of related parties

The ultimate parent of the Authority is the Solomon Island Government.

(c) Amounts receivable / (payable) from related parties

	2010	2009
	SBD	SBD
Solomon Island Government	-	(7,764,144)
Solomon Island Electricity Authority	(26,056,372)	(13,909,283)
	<u>(26,056,372)</u>	<u>(21,673,427)</u>

(d) Transactions with related parties

During the year, the Authority entered into various transactions with related parties which were at normal commercial terms and conditions. The aggregate value of major transactions with related parties during the year is as follows:

	2010	2009
	SBD	SBD
<u>Solomon Island Government</u>		
Water sales	<u>4,696,938</u>	<u>5,001,782</u>
<u>Solomon Island Electricity Authority</u>		
Purchase of electricity	<u>(15,050,102)</u>	<u>(13,921,203)</u>
<u>Directors</u>		
Directors remuneration and expenses	<u>(112,874)</u>	<u>(381,432)</u>

(e) Transactions with key management personnel

Key management personnel comprises the General manager, Divisional manager engineering services, Divisional manager financial services and Division manager support services.

In addition to their salaries, the Authority also provides non-cash benefits to key management personnel.

Solomon Islands Water Authority
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18. Related parties (continued)

(e) Transactions with key management personnel

Key management compensation to local executive management is disclosed in Note 8.

Transactions with key management personnel are no more favourable than those available, or which might be reasonably be expected to be available on similar transactions to third parties at arms length.

19. Capital commitments

Capital commitments in respect of capital projects are estimated at \$Nil (2009: \$Nil) for the ensuing year.

20. Contingent liabilities

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

21. Subsequent events

In October 2011, approximately SBD 14.92m was obtained from AusAID for the funding of the Authority's recovery and action plan. Additionally, approximately SBD 170m was obtained from JAICA (Japanese International Cooperation Agency) for the funding of the Authority's medium term water supply improvement project.

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