

SOLOMON ISLANDS WATER AUTHORITY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**SOLOMON ISLANDS WATER AUTHORITY
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the directors herewith submit the Statement of Financial Position of the Authority at 31 December 2013, the related Statement of comprehensive income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended on that date and report as follows:

Directors

Directors at the date of this report are:

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

State of affairs

In complying with the Solomon Islands Water Authority Act and the State Owned Enterprises Act of 2007, the Directors hereby submit the financial statements of SIWA consisting of the statement of financial position as at 31 December 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows of SIWA for the year then ended.

Principal Activities

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

Results

The operating profit for the year was SBD 11,117,850 (2012: SBD 8,913,771).

Dividends

The Directors recommend that no dividends be declared for the financial year (2012: nil).

Reserves

The Directors propose that no transfer be made to reserves.

Bad and Doubtful Debts

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

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

Non Current Assets

Prior to the completion of the financial statements of the Authority, the Directors took reasonable steps to ascertain whether any non current assets were unlikely to be realised in the ordinary course of business compared to their values as shown in the accounting records of the Authority. Where necessary these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realise.

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

Basis of Accounting

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

**SOLOMON ISLANDS WATER AUTHORITY
DIRECTORS' REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

Unusual Transactions

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

Events Subsequent to Balance Date

On the 4th April 2014, Honiara experienced severe flash flooding that had a widespread impact on the community, and resulted in significant damage to the Authority's infrastructure. The full extent of the financial impact to the Authority cannot be estimated at this time.

Other than the above, there have been no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Authority, the results of those operations, or the state of affairs of the Authority in future financial years.

Other Circumstances

As at the date of this report:

- a) no charge on the assets of the Authority has been given since the end of the financial year to secure the liabilities of any other person;
- b) no contingent liabilities have arisen since the end of the financial year for which the Authority could become liable; and
- c) no contingent liabilities or other liabilities of the Authority have become or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Authority to meet its obligations as and when they fall due.

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

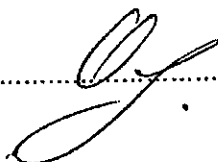
Directors' Benefits

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

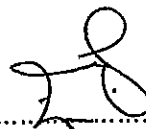
For and on behalf of the Board and in accordance with a resolution of the Directors.

Dated this day of 2014.

Director



Director



**SOLOMON ISLANDS WATER AUTHORITY
STATEMENT BY DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013**

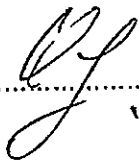
In the opinion of the Directors:

- (a) the accompanying income statement 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 2013;
- (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 2013 ;
- (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 2013;
- (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 2013;
- (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.

For and on behalf of the Board of Directors by authority of a resolution of the Directors.

Dated this day of 2014.

Director



Director





INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Water Authority

Report on the Financial Statement

I was engaged to audit the accompanying financial statements of the Solomon Islands Water Authority ("the Authority"), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes 2 to 17.

Directors and management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on my judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I consider internal control relevant to the Authority's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Audit Opinion

In my opinion, the financial statements of the Solomon Islands Water Authority gives a true and fair view of the financial position of the Authority as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Robert Cohen
Acting Auditor-General**

**Office of the Auditor General
Honiara, Solomon Islands**

26 June 2014

**SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 SBD	2012 SBD Restated*
Continuing operations			
Revenue			
Operating income	2.1	70,115,598	46,035,868
Other income	2.2	15,838,621	15,041,694
Total revenue from continuing operations		85,954,219	61,077,562
Expenses			
Corporate expenses	2.3	(5,826,354)	(2,851,320)
Depreciation	7	(5,591,345)	(2,946,792)
Salaries and employee benefits	2.4	(16,515,844)	(11,859,140)
Impairment of financial assets	4	(12,455,991)	(6,878,244)
Repairs and maintenance		(7,211,792)	(5,272,993)
Tools and uniforms		(619,434)	(357,660)
Utilities		(23,388,630)	(22,159,925)
Water treatment		(1,126,287)	(502,505)
Other expenses	2.5	(1,905,299)	(1,105,701)
Total expenses from continuing operations		(74,640,976)	(53,934,280)
Finance (expense)/income	2.6	(195,393)	1,770,489
Net profit for the year		11,117,850	8,913,771
Other comprehensive income			
Revaluation increment		-	10,048,261
Total comprehensive income for the year		11,117,850	18,962,032

* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made as detailed in Notes 2.2 and 2.4.

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

**SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 SBD	2012 SBD Restated*
Contributed capital			
Balance at the beginning of the year		44,625,874	39,625,874
Additional capital contribution		15,000,000	5,000,000
Balance at the end of the year	11	<u>59,625,874</u>	<u>44,625,874</u>
Reserves			
Balance at the beginning of the year		10,048,261	-
Movement during the year		-	10,048,261
Balance at the end of the year		<u>10,048,261</u>	<u>10,048,261</u>
Accumulated losses			
Balance at the beginning of the year		(47,876,034)	(56,789,805)
Net profit for the year		11,117,850	8,913,771
Balance at the end of the year		<u>(36,758,184)</u>	<u>(47,876,034)</u>
Total equity		<u>32,915,951</u>	<u>6,798,101</u>

* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made as detailed in Notes 2.2, 2.4, 8, 11 and 13.

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

**SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

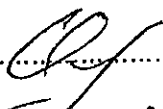
	Notes	2013 SBD	2012 SBD Restated*
Assets			
Current assets			
Cash and cash equivalents	3	10,038,786	6,119,097
Trade and other receivables	4	17,552,200	12,639,366
Inventories	5	3,915,874	1,475,270
Prepayments and other assets	6	1,470,243	143,519
Total current assets		32,977,103	20,377,252
Non-current assets			
Property, plant and equipment	7	30,524,830	30,381,987
Total non-current assets		30,524,830	30,381,987
Total assets		63,501,933	50,759,239
Liabilities			
Current liabilities			
Trade and other payables	8	8,679,792	9,703,624
Employee benefits	9	2,000,678	1,818,301
Deferred revenue	10	3,056,874	-
Payable to related party	13 (e)	4,153,460	19,038,091
Total current liabilities		17,890,804	30,560,016
Non current liabilities			
Trade and other payables	8	1,338,709	-
Payable to related party	13 (e)	4,105,742	4,826,205
Deferred revenue	10	7,250,727	8,574,917
Total non current liabilities		12,695,178	13,401,122
Total liabilities		30,585,982	43,961,138
Total net assets		32,915,951	6,798,101
Equity			
Contributed capital	11	59,625,874	44,625,874
Asset revaluation reserve		10,048,261	10,048,261
Accumulated losses		(36,758,184)	(47,876,034)
Total equity		32,915,951	6,798,101

* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made as detailed in Notes 8,11 and 13.

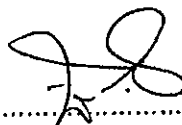
The accompanying notes form an integral part of the Statement of Financial Position.

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

Director



Director



**SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 SBD	2012 SBD Restated*
Operating activities			
Total comprehensive income		11,117,850	18,962,032
Adjustment to reconcile profit to net cash flows			
Depreciation of property, plant and equipment	7	5,591,345	2,946,792
Revaluation increment	7	-	(10,048,261)
Amortisation of deferred revenue	2.2	(2,435,124)	(201,088)
Gain on disposal of property, plant and equipment	2.2	(102,950)	-
Discount on interest free loan		-	(1,736,295)
Amortisation of discount on interest free loan	2.6	217,037	-
Interest income	2.6	(21,644)	(34,194)
Movements in employee benefit liabilities	9	182,377	87,121
Working capital adjustments:			
(Increase) in trade receivables	4	(4,912,834)	(3,511,131)
(Increase) in prepayments and other assets	6	(1,326,724)	(143,519)
(Increase) in inventory	5	(2,440,604)	(711,584)
(Increase) in trade creditors and other creditors		314,877	4,047,032
Net cash flows from operating activities		6,183,606	9,656,905
Cash flows used in investing activities			
Investing activities			
Proceeds from sale of plant and equipment		102,950	-
Acquisition of plant and equipment		(1,566,380)	(656,585)
Interest received		21,644	34,194
Net cash flows (used in) investing activities		(1,441,786)	(622,391)
Financing activities			
Repayment of related party borrowings		(15,822,131)	(10,861,441)
Additional capital received		15,000,000	5,000,000
Net cash flows (used in) financing activities		(822,131)	(5,861,441)
Net increase in cash held		3,919,689	3,173,073
Cash at the beginning of the year		6,119,097	2,946,024
Cash and cash equivalent at end of year	3	10,038,786	6,119,097

* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made as detailed in Notes 2.2, 2.4, 8,11 and 13.

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

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. Corporate Information

The financial statements of Solomon Islands Water Authority ('the Authority') for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on the

Solomon Islands Water Authority is a state owned enterprise established under the Solomon Islands Water Authority Act 1993. The registered office and principal place of business is Mendana Avenue, Honiara, Solomon Islands. The principal activities of the Authority are described in Note 17.

1.1 Basis of preparation

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

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

Statement of compliance

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

1.2 Summary of significant accounting policies

a) Revenue recognition

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

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

Interest income

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

b) Government grants

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

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

c) Taxes

The Authority is exempt from income tax under the Solomon Islands Water Authority Act 1993

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

1.2 Summary of significant accounting policies (continued)

d) Property, plant and equipment

Property, plant and equipment is stated at initial cost on acquisition, net of accumulated depreciation and accumulated impairment losses, if any. Land and buildings are disclosed at fair value and are subject to periodic valuations by an independent valuer. The last valuation was performed by JC Valuer, registered valuer as at September 2012.

The valuation methodology used was the cost approach, where the value of the building is added to the basic land value. The value of building is determined by using the depreciated replacement cost whereby an allowance for depreciation due to age and obsolescence shall be deducted from the cost of rebuilding new. The value of the land shall be determined by using the comparative method of valuation, whereby adjustment for differences in the various factors affecting value are made to arrive at the value.

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

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

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

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

e) Leases

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

Company as a lessee

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

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

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

f) Financial instruments -

Initial recognition and subsequent measurement

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

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

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

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

1.2 Summary of significant accounting policies (continued)

f) Financial instruments - initial recognition and subsequent measurement (continued)

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement receivables are carried fair value.

Derecognition

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

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

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

In that case, the Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained.

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

(ii) Impairment of financial assets

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

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

1.2 Summary of significant accounting policies (continued)

(ii) Impairment of financial assets (continued)

Financial assets carried at fair value

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

If there is objective evidence that an impairment loss on assets carried at fair value cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred).

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

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss as loans. The Authority determines the classification of its financial liabilities at initial recognition. The Authority's financial liabilities include trade and other payables and loans including related party transactions.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Related party Transactions

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

Derecognition

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

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

1.2 Summary of significant accounting policies (continued)

h) Inventories

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Finished goods - cost of direct materials.

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

l) Impairment of non financial assets

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

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

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

j) Cash and cash equivalents

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

k) Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

l) Employee entitlements

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

i) Defined Contribution Plans

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

ii) Short term benefits

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

j) Cash and cash equivalents

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

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

1.2 Summary of significant accounting policies (continued)

k) Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

l) Employee entitlements

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

i) Defined Contribution Plans

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

ii) Short term benefits

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

m) Trade and other payables

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

n) Comparative figures

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

o) Segment information

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

(a) Industry segment

The Authority operates in the water services industry.

(b) Geographical segment

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

p) Foreign currencies

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

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

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

1.2 Summary of 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 SIWA will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate SIWA for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

1.3 Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2013.

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
- IAS 1 Clarification of the requirement for comparative information (Amendment)
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets

The adoption of the standards or interpretations is described below;

- *IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*
The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Authority's financial position or performance.
- *IAS 1 Clarification of the requirement for comparative information (Amendment)*
These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Authority), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Authority has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Authority's financial position or performance.
- *Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets*
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Authority has early adopted these amendments to IAS 36 in the current period since the amended/additional disclosures provide useful information as intended by the IASB. Accordingly, these amendments have been considered while making disclosures for impairment of non-financial assets. These amendments would continue to be considered for future disclosures.

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

1.4 Significant accounting judgments, estimates and assumptions

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

Judgments

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

Operating Lease Commitments

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

Estimations and assumptions

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

Impairment of non financial assets

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

1.5 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Authority's financial statements are listed below. This listing is of standards and interpretations issued, which the Authority reasonably expects to be applicable at future date. The Authority intends to adopt those standards when they become effective.

IAS 32 *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32.*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Authority's financial position or performance and becomes effective for annual periods beginning on or after 1 January 2014.

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013	2012
	SBD	SBD
2. Operating revenue and expenses		
Included in revenue are:		
2.1 Operating income		
Water fees and charges	64,809,444	42,060,517
Standing charges	3,949,430	2,618,701
Disconnections/reconnection charges	1,556,724	1,356,650
	<u>70,115,598</u>	<u>46,035,868</u>
2.2 Other income		
Gain on sale of fixed assets	102,950	-
Miscellaneous income	238,550	894,491
Write off from reconciliation of billing and accounting system	4,399,546	-
Solomon Islands Government - CSO grant	3,822,333	3,000,000
Debt forgiveness by SIEA	-	9,443,379
Amortisation of deferred revenue	2,435,123	201,088
Grants received from Australian Aid	4,349,098	1,105,701
Grants received from Japan International Cooperation Agency	241,021	-
Grants received from IWRM	250,000	397,035
	<u>15,838,621</u>	<u>15,041,694</u>
Other income for 2012 has been restated to correct an error in relation to accounting of Donor grants. Refer to note 11.		
Included in expenses are:		
2.3 Corporate expenses	SBD	SBD
Advertising	400,732	170,554
Auditors' remuneration	220,000	250,591
Board allowances	69,948	32,280
Travel and transport	415,904	302,312
Printing, freight and stationery	145,960	412,069
Insurance	115,011	169,464
Lease rentals	713,022	378,774
Software training and computer consumables	342,606	266,086
Telephone	851,924	480,988
Other expenses	2,551,247	388,202
Total expenses	<u>5,826,354</u>	<u>2,851,320</u>
2.4 Salaries and employee benefits	SBD	SBD
Wages and salaries	9,532,535	8,021,058
Key management personnel	899,587	260,690
Superannuation	632,205	460,736
House rentals and allowances	5,451,517	3,116,656
	<u>16,515,844</u>	<u>11,859,140</u>

Wages and Salaries for 2012 have been restated to recognise an additional PAYE expense of SBD 2,270,867. The additional expense relates to an error that was realised in 2013 on the calculation of tax payable in relation to staff allowances. Refer to note 8 for details on terms of the related trade payable.

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 SBD	2012 SBD
2.5 Other expenses		
Other Expenses	486,412	-
RAP Project expenses - Australian Aid	1,418,887	1,105,701
	<u>1,905,299</u>	<u>1,105,701</u>
2.6 Finance (expense)/income		
Discounting of converted loan - SIEA	-	1,736,295
Amortisation of discount - SIEA	(217,037)	-
Interest received	21,644	34,194
	<u>(195,393)</u>	<u>1,770,489</u>

3. Cash and cash equivalents

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

	SBD	SBD
Cash at bank	3,995,268	4,073,672
Cash in hand	10,500	10,500
Term deposits	6,033,018	2,034,925
Cash at bank and on hand	<u>10,038,786</u>	<u>6,119,097</u>

4. Trade and other receivables

	SBD	SBD
Trade receivables	43,435,103	32,522,269
Provision for impairment of receivables	(25,882,903)	(19,882,903)
	<u>17,552,200</u>	<u>12,639,366</u>

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

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

	Total	Neither past due nor impaired	Past due but not impaired		
			30 - 60 days	60 - 90 days	>90 days
	SBD	SBD	SBD	SBD	SBD
2013	17,552,200	5,893,324	4,001,724	2,901,419	4,755,733
2012	12,639,366	4,241,752	3,315,014	2,199,014	2,883,586

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

Opening balance	(19,882,903)	(19,882,903)
Impairment loss for the year	(12,455,991)	(6,878,244)
Utilised	6,455,991	6,878,244
	<u>(25,882,903)</u>	<u>(19,882,903)</u>

5. Inventories

	SBD	SBD
Stores and consumables	3,915,874	1,475,270

6. Prepayments and other assets

	SBD	SBD
Other debtors	1,274,907	47,166
Prepayments	195,336	96,353
	<u>1,470,243</u>	<u>143,519</u>

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

7. Property, plant and equipment

<u>Cost</u>	Water systems	Buildings	Machinery, equipment and computers	Motor vehicles	Furniture and fittings	Total
	SBD	SBD	SBD	SBD	SBD	SBD
At 1 January 2012	49,781,697	4,301,412	5,614,432	3,582,284	1,746,272	65,026,097
Additions	-	55,698	8,044,885	807,189	524,818	9,432,590
Offset of accumulated depreciation as a result of revaluation	-	(2,760,173)	-	-	-	(2,760,173)
Revaluation increment	-	10,048,261	-	-	-	10,048,261
At 31 December 2012	49,781,697	11,645,198	13,659,317	4,389,473	2,271,090	81,746,775
At 1 January 2013	49,781,697	11,645,198	13,659,317	4,389,473	2,271,090	81,746,775
Additions	1,386,989	403,221	2,140,800	1,297,866	505,312	5,734,188
Disposals	-	-	-	(449,846)	-	(449,846)
At 31 December 2013	51,168,686	12,048,419	15,800,117	5,237,493	2,776,402	87,031,117
<u>Depreciation and impairment</u>						
At 1 January 2012	39,530,160	2,474,227	4,673,258	3,052,950	1,447,574	51,178,169
Depreciation charge	1,782,604	285,946	394,834	370,901	112,507	2,946,792
Offset of accumulated depreciation as a result of revaluation	-	(2,760,173)	-	-	-	(2,760,173)
At 31 December 2012	41,312,764	-	5,068,092	3,423,851	1,560,081	51,364,788
At 1 January 2013	41,312,764	-	5,068,092	3,423,851	1,560,081	51,364,788
Depreciation charge	1,860,354	587,216	2,333,856	484,279	325,640	5,591,345
Disposals	-	-	-	(449,846)	-	(449,846)
At 31 December 2013	43,173,118	587,216	7,401,948	3,458,284	1,885,721	56,506,287
Net book value:						
At 31 December 2013	7,995,568	11,461,203	8,398,169	1,779,209	890,681	30,524,830
At 31 December 2012	8,468,933	11,645,198	8,591,225	965,622	711,009	30,381,987
At 1 January 2012	10,251,537	1,827,185	941,174	529,334	298,698	13,847,928

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 SBD	2012 SBD
8. Trade and other payables		
Current		
Trade payables	2,969	18,325
Other payables	5,140,522	6,869,538
Water deposits	3,536,301	2,815,761
	<u>8,679,792</u>	<u>9,703,624</u>
Non-current		
Other Payables	<u>1,338,709</u>	-

Trade payables are non interest bearing and are normally settled on 30 day terms, with the exception of PAYE arrears totalling \$5,178,709.

The agreement with the Inland Revenue Division is that this is an interest free facility, with a payment of \$320,000 required each month. The facility will be repaid by May 2015.

Other payables for 2012 is restated by an additional \$2,270,867 to take to account PAYE expense as detailed in Note 2.4

	SBD	SBD
9. Employee benefit liability		
<u>Employee entitlements</u>		
Balance at beginning of year	1,818,301	1,731,180
Net movement during the year	182,377	87,121
Balance at year end	<u>2,000,678</u>	<u>1,818,301</u>
Represented by:		
Annual leave	177,523	48,975
Long service benefit	1,748,591	1,688,895
Long service leave	74,564	80,431
	<u>2,000,678</u>	<u>1,818,301</u>

	SBD	SBD
10. Deferred revenue		
Australian Aid	7,250,727	8,574,917
Japan International Cooperation Agency	1,845,174	-
Solomon Islands Government	1,211,700	-
	<u>10,307,601</u>	<u>8,574,917</u>

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

Current	3,056,874	-
Non-current	7,250,727	8,574,917
	<u>10,307,601</u>	<u>8,574,917</u>

	SBD	SBD
11. Contributed capital		
Contributed capital at the beginning of the year	44,625,874	39,625,874
Additional capital contribution during the year	15,000,000	5,000,000
Contributed capital at the end of the year	<u>59,625,874</u>	<u>44,625,874</u>

Contributed capital represents Government's contribution on the establishment of Solomon Islands Water Authority. During the year additional capital contributions amounting to SBD 15,000,000 (2012: 5,000,000) were made by the Solomon Islands Government.

Capital contribution for 2012 has been restated and subsequently reduced due to the incorrect recognition of Donor Grants for the period. Donor grants totalling SBD 9,881,706 were also incorrectly recognised as an equity contribution. This amount has been restated for 2012 and recognised as income totalling SBD 1,105,701, deferred revenue of SBD 8,574,917 and amortisation of deferred income of SBD 201,088. Refer to Note 10 for recognition of deferred revenue

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013	2012	
	SBD	SBD	
12. Commitments and contingent liabilities			
a) Contingent liabilities			
The Authority is a plaintiff in several litigations brought by creditors and employees. The Directors believe these litigations will not have a material effect on the financial statements.			
b) Capital commitments	<u>Nil</u>	<u>Nil</u>	
c) Operating leases commitments contracted for building rentals			
Future operating lease rentals not provided for in the financial statements and payable:			
Not later than one year	942,885	419,815	
Later than one year but not later than five years	<u>102,200</u>	<u>139,700</u>	
	<u>1,045,085</u>	<u>559,515</u>	
13. Related party transactions			
(a) Directors			
The names of persons who were directors of Solomon Islands Water Authority at any time during the financial year are as follows:			
Phil Bradford	Ethel Frances	Janet Marau	Trevor Palmer
Antoinette Wickham	David Laurie	Carson Korowa	
(b) Controlling Entities			
The ultimate parent of the Authority is the Solomon Islands Government.			
(c) Compensation of key management personnel	SBD	SBD	
Short term employee benefits	<u>899,587</u>	<u>260,690</u>	
(d) Transactions with related parties			
Transactions with related parties during the year ended 31 December 2013 with approximate transaction value are summarised as follows;			
	SBD	SBD	
<u>Directors</u>			
Directors remuneration and expenses	<u>69,948</u>	<u>32,280</u>	
(e) Amount owed to related parties			
Non-current			
Solomon Islands Electricity Authority	4,105,742	4,826,205	
Current			
Solomon Islands Electricity Authority	<u>4,153,460</u>	<u>19,038,091</u>	
	<u>8,259,202</u>	<u>23,864,296</u>	

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

Current amount for 2012 was restated by SBD 1,227,223 due to the electricity payable being incorrectly classified as a trade payable.

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

14. Financial risk management objectives and policies

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

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

Market risk is not significant to the Authority as indirectly the majority of FX risk is absorbed by the donors. Interest rate risk is also not significant as the Authority has no commercial loans and the related party transaction is interest free.

Liquidity risk

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

The table below summarises the maturity profile of the Authority's financial liabilities at 31 December 2013 based on contractual undiscounted payments.

	<u>Trade and other payables</u>	<u>Payable to related party</u>	<u>Total</u>
	SBD	SBD	SBD
<u>31 December 2013</u>			
3 to 12 months	8,679,792	4,153,460	12,833,252
1 - 2 years	-	937,500	937,500
> 2 years	-	3,168,242	3,168,242
	<u>8,679,792</u>	<u>8,259,202</u>	<u>16,938,994</u>
<u>31 December 2012</u>			
3 to 12 months	9,703,624	19,038,091	28,741,715
1 - 2 years	-	937,500	937,500
> 2 years	-	3,888,705	3,888,705
	<u>9,703,624</u>	<u>23,864,296</u>	<u>33,567,920</u>

Credit risk

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

Trade Receivables

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

An impairment analysis is performed at each reporting date collectively for all customer accounts. The calculation is based on actual incurred historic data. The maximum exposure to credit risk at the reporting date is disclosed in Note 4. The Authority holds cash collateral of SBD 3,942,188 against the collective accounts. The Authority evaluates the concentration of risk with respect to trade receivables as high.

**SOLOMON ISLANDS WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

15. Financial Instruments

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

	Carrying amount		Fair Value	
	2013 SBD	2012 SBD	2013 SBD	2012 SBD
<i>Financial assets</i>				
Cash	10,038,786	6,119,097	10,038,786	6,119,097
Trade and other receivables	17,552,200	12,639,366	17,552,200	12,639,366
<i>Financial liabilities</i>				
Trade and other payables	8,679,792	9,703,624	8,679,792	9,703,624

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

16. Subsequent events

On the 4th April 2014, Honiara experienced severe flash flooding that had a widespread impact on the community ,and resulted in significant damage to the Authority's infrastructure. The full extent of the financial impact to the Authority cannot be estimated at this time.

Other than the above, there have been no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Authority, the results of those operations, or the state of affairs of the Authority in future financial years.

17. Principal business activities

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

Principal place of business

The principal place of business is located at Mendana Ave, Honiara, Solomon Islands

Number of employees at the end of the period

	2013	2012
Number of employees the Authority employed at the reporting date	144	120