SOLOMON ISLANDS WATER AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Contents

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 2015, 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
David Laurie	Trevor Palmer	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 2015, 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 7,176,152 (2014: SBD 6,101,816).

Dividends

The Directors recommend that no dividends be declared for the financial year (2015: 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.

Unusual Transactions

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

Events Subsequent to Balance Date

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

Other Circumstances

As at the date of this report:

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

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

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

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

Directors' Benefits

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

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

Dated this 29th day of March 2016.

Director

Director

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 2015;

(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 2015 ;

(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 2015;

(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 2015;

(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 29th day of March 2016.

Director Director

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 SBD	2014 SBD
Continuing operations			
Operating income	2.1	84,283,911	81,052,129
Other income	2.2	16,842,633	12,132,053
Revenue		101,126,543	93,184,182
Expenses			
Corporate expenses	2.3	(4,771,365)	(6,056,398)
Depreciation and amortisation		(11,223,438)	(6,319,639)
Salaries and employee benefits	2.4	(22,369,902)	(21,566,826)
Impairment of financial assets		(6,625,859)	(7,903,386)
Repairs and maintenance		(7,101,379)	(6,687,077)
Tools and uniforms		(688,859)	(445,091)
Utilities		(31,789,897)	(32,670,079)
Water treatment		(592,501)	(1,077,108)
Other expenses	2.5	(8,587,024)	(4,171,152)
		(93,750,225)	(86,896,756)
Finance expense	2.6	(200,166)	(185,610)
Net profit for the year		7,176,152	6,101,816
Other comprehensive income			
Other comprehensive oncome		-	-
Total comprehensive income for the year		7,176,152	6,101,816

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 2015

	Notes	2015 SBD	2014 SBD
Contributed capital			
Balance at the beginning of the year		59,625,874	59,625,874
Additional capital contribution		-	-
Balance at the end of the year	12	59,625,874	59,625,874
Asset revaluation reserve			
Balance at the beginning of the year		10,048,261	10,048,261
Movement during the year		132,121,737	-
Balance at the end of the year		142,169,998	10,048,261
Accumulated losses			
Balance at the beginning of the year		(30,279,116)	(36,380,932)
Net comprehensive income for the year		7,176,152	6,101,816
Balance at the end of the year		(23,102,964)	(30,279,116)
Total Equity		178,692,908	39,395,019

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

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 SBD	2014 SBD
ASSETS			
Current assets			
Cash and cash equivalents	3	30,768,015	10,678,864
Trade and other receivables	4	16,391,930	23,052,441
Inventories	5	8,559,898	5,068,804
Prepayments and other assets	6	613,037	3,377,853
		56,332,880	42,177,962
Non-current assets			
Property, plant and equipment	9	273,864,608	157,318,902
Intangibles	10	57,621	-
		273,922,229	157,318,902
TOTAL ASSETS		330,255,110	199,496,864
Liabilities			
Current liabilities			
Trade and other payables	7	10,159,852	7,655,126
Employee benefits liability	8	2,982,116	2,011,136
Deferred revenue	11	10,280,194	5,240,501
Payable to related party	14 (e)	2,981,642	3,521,127
Total current liabilities		26,403,804	18,427,890
Non current liabilities			
Trade and other payables	7	-	-
Payable to related party	14 (e)	2,664,816	3,385,279
Deferred revenue	11	122,493,582	138,288,676
Total non current liability		125,158,398	141,673,955
Total liabilities		151,562,202	160,101,845
Total net assets		178,692,908	39,395,019
Equity			
Capital contribution	12	59,625,874	59,625,874
Asset revaluation reserve		142,169,998	10,048,261
Accumulated losses		(23,102,964)	(30,279,116)
Total equity		178,692,908	39,395,019
TOTAL EQUITY AND LIABILITIES		330,255,110	199,496,864

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.

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Director

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Director

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 SBD	2014 SBD
Operating activities			
Net comprehensive income		7,176,152	6,101,816
Adjustment to reconcile profit to net cash flows			
Depreciation and amortisation of assets		11,223,438	6,319,639
Amortisation of deferred revenue		(10,280,053)	(2,062,924)
Loss on disposal of property, plant and equipment		5,605,709	2,966,970
Amortisation of discount on interest free loan		217,037	217,037
Interest income		(16,871)	(31,427)
Movements in employee benefit liabilities		970,980	10,458
Working capital adjustments:			
Decrease/(increase) in trade receivables		6,659,428	(5,500,241)
Decrease/(increase) in other receivables		2,764,816	(1,907,610)
(Increase) in inventory		(3,491,094)	(1,152,930)
(Decrease) in deferred revenue		(1,447,589)	-
Increase/(decrease) in trade creditors and other creditors		2,504,726	(2,363,375)
Net cash flows from Operating Activities		21,886,679	2,597,413
Cash flows used in Investing Activities			
Investing activities			
Proceeds from sale of plant and equipment		-	9,887
Acquisition of plant and equipment		(337,413)	(428,816)
Interest received		16,871	31,427
Net cash flows (used in) Investing Activities		(320,542)	(387,502)
Financing activities			
Repayment of related party borrowings		(1,476,985)	(1,569,833)
Net cash flows (used in) Financing Activities		(1,476,985)	(1,569,833)
Net increase in cash held		20,089,151	640,078
Cash at the beginning of the year		10,678,864	10,038,786
Cash at end of year	3	30,768,015	10,678,864

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

1. Corporate Information

The financial statements of Solomon Islands Water Authority ('the Authority') for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on the 7th March 2016

Solomon Islands Water Authority is a state owned enterprise established under the Solomon Islands Water Authority Act 1993. The registered office and principal place is business is Mendana Avenue, Honiara, Solomon Islands . The principal activities of the Authority are described in Note 19.

1.1 Basis of preparation

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

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

Statement of compliance

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

1.2 Summary of significant accounting policies

a) Revenue recognition

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

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

Interest income

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

b) Government grants

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

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

c) Taxes

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

1.2 Summary of significant accounting policies (continued)

d) Property, plant and equipment

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

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

Land and buildings	5%
Water systems	3% - 15%
Plant and equipment	3% - 15%
Furniture & fittings	25%
Motor vehicles	40%

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.

Water systems and plant and equipment were revalued by Deloitte (Australia) during 2015. Due to the specialised nature of the assets, the depreciated replacement cost approach was used to assess the fair value of the majority of the water infrastructure assets and the market approach was used to value a small number of mobile plant assets.

e) Leases

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

Company as a lessee

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

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

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

f) Borrowing costs

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

1.2 Summary of significant accounting policies (continued)

g) Financial instruments - initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

Receivables

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

Held-to-maturity investments

Non-derivative financial assets with fixed and determinable payments and fixed maturities are classified as held-to-maturity when the Authority has the positive intention and ability to hold it to maturity. After the initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial to the net carrying amount of the financial asset. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. The Authority has not designated any held to maturity investments during the year ended 31 December 2015.

1.2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Derecognition

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

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

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

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

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

(ii) Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

1.2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(ii) Impairment of financial assets

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

(iii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

Derecogniton

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

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

1.2 Summary of significant accounting policies (continued)

(iv) Offsetting of financial instruments

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

(v) Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 16.

h) Inventories

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

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

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

i) Impairment of non financial assets

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

Where the carrying amount of an asset or CGU exceeds it recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

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

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

1.2 Summary of significant accounting policies (continued)

i) Impairment of non financial assets (continued)

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

j) Cash and cash equivalents

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

k) Provisions

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

l) Employee entitlements

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

i) Defined Contribution Plans

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

ii) Short term benefits

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

m) Trade and other payables

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

n) Comparative figures

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

o) Segment information

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

(a) Industry segment

The Authority operates in the water services industry.

(b) Geographical segment

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

1.2 Summary of significant accounting policies (continued)

p) Foreign currencies

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

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

q) Grants

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

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

1.3 Changes in accounting policy and disclosures

Revaluation of property, plant and equipment

The Authority re-assessed its accounting for property, plant and equipment with respect to measurement of certain classes of property, plant and equipment after initial recognition. The Authority has previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

On 30 June 2015, the Authority elected to change the method of accounting for Water systems, plant and equipment classified as property, plant and equipment, since the Authority believes that revaluation model more effectively demonstrates the financial position of these assets.

After initial recognition, the Authority uses the revaluation model, whereby water systems, plant and equipment will be measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Authority applied the revaluation model prospectively.

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 2015.

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

The adoption of the standards or interpretations is described below;

- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*
  The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Authority recorded revaluation adjustments based on fair value determined by Delloite (Australia) during the current period. Refer Note 9 for details.

1.3 Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations

- *IAS 24 Related Party Disclosures*

  The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Authority as it does not receive any management services from other entities.

1.4 Significant accounting judgments, estimates and assumptions

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

Judgments

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

Operating Lease Commitments

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

Estimations and assumptions

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

Impairment of non financial assets

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

1.5 Standards issued but not yet effective

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

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

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

1.5 Standards issued but not yet effective (continued)

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Authority's financial statements.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. These amendments are not expected to have any impact on the Authority.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively. These amendments are not expected to have any impact on the Authority.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Authority.

	2015 SBD	2014 SBD
2. OPERATING REVENUE AND EXPENSES		
Included in revenue are:		
2.1 Operating income		
Water fees and charges	78,311,245	75,711,926
Standing charges	4,704,606	4,675,312
Disconnections/reconnection charges	1,268,059	664,891
	84,283,911	81,052,129
2.2 Other income		
Gain on sale of miscellaneous assets	395,300	9,887
Miscellaneous income	423,160	319,510
Bad Debts recovered	645,552	421,414
Solomon Islands Government - CSO grant	-	3,092,000
Amortisation of deferred revenue	15,237,306	5,248,315
Grants received from Government of Australia	141,315	2,516,039
Grants received from NZ Aid	-	524,890
	16,842,633	12,132,055

2. OPERATING REVENUE AND EXPENSES

Included in expenses are:

	2015	2014
2.3 Corporate expenses	SBD	SBD
Advertising	348,230	407,789
Auditors' remuneration	214,600	214,600
Board allowances	53,476	63,180
Travel and transport	321,201	423,530
Printing, freight and stationery	1,180,582	1,167,732
Insurance	459,769	208,415
Lease rentals	1,231,873	1,129,120
Software training and computer consumables	367,443	401,074
Telephone	857,672	769,404
Other expenses	(263,481)	1,271,554
Total expenses	4,771,365	6,056,398

2.4 Salaries and employee benefits	SBD	SBD
Wages and salaries	9,616,765	9,775,091
Key management personnel	489,707	993,590
Superannuation	2,367,037	1,364,015
House rentals and allowances	9,896,392	9,434,130
	22,369,902	21,566,826

2.5 Other expenses	SBD	SBD
Other expenses	2,840,000	621,702
Project expenses - Australian Aid	141,315	572,593
Loss on disposal of property, plant and equipment	5,605,709	2,976,857
	8,587,024	4,171,152

2.6 Finance (expense)/income		
Amortisation of discount - SIEA	(217,037)	(217,037)
Interest received	16,871	31,427
	(200,166)	(185,610)

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	24,213,178	4,595,332
Cash in hand	20,500	20,500
Term deposits	6,534,337	6,063,032
Cash at bank and on hand	30,768,015	10,678,864

4. TRADE AND OTHER RECEIVABLES

	SBD	SBD
Trade receivables	42,195,513	54,164,108
Provision for impairment of receivables	(25,803,583)	(31,111,667)
	16,391,930	23,052,441

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

4. TRADE AND OTHER RECEIVABLES (continued)

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
2015	16,391,930	5,655,337	3,463,159	2,511,059	4,762,375
2014	23,052,441	9,867,243	5,749,484	4,546,032	2,889,682

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

	2015 SBD	2014 SBD
Opening balance	(31,111,667)	(25,882,903)
Charge for the year	(6,625,859)	(7,903,386)
Utilised	11,933,943	2,674,622
	(25,803,583)	(31,111,667)

5. INVENTORIES

	SBD	SBD
Stores and consumables	8,559,898	5,068,804

6. PREPAYMENTS AND OTHER ASSETS

	SBD	SBD
Other debtors	109,977	2,877,954
Prepayments	503,058	499,899
	613,035	3,377,853

7. TRADE AND OTHER PAYABLES

	SBD	SBD
Current		
Trade payables	1,136,070	477,612
Other payables	2,544,918	2,772,520
Water deposits	6,478,864	4,404,994
	10,159,852	7,655,126
Non-current		
Other Payables	-	-

Trade payables are non interest bearing and are normally settled on 30 day terms.

8. EMPLOYEE BENEFIT LIABILITY

	SBD	SBD
<u>Employee entitlements</u>		
Balance at beginning of year	2,011,136	2,000,678
Net movement during the year	970,980	10,458
Balance at year end	2,982,116	2,011,136
Represented by:		
Annual leave	1,169,814	42,995
Long service benefit	1,695,022	1,898,612
Long service leave	117,280	69,529
	2,982,116	2,011,136

9. PROPERTY, PLANT AND EQUIPMENT

Cost	Water Systems	Land and Buildings	Machinery, Equipment and Computers	Motor vehicles	Furniture and Fittings	Total
	SBD	SBD	SBD	SBD	SBD	SBD
At 1 Janaury 2014	51,168,686	12,048,419	15,800,117	5,237,493	2,776,402	87,031,117
Additions	122,913,161	344,995	6,432,940	5,556,084	482,244	135,729,424
Disposals	(17,742,379)	(105,058)	(4,888,405)	(2,054,737)	(1,618,905)	(26,409,484)
At 1 January 2015	156,339,468	12,288,356	17,344,652	8,738,840	1,639,741	196,351,057
Additions	584,269	-	725,141	-	-	1,309,410
Reclassification of Asset Class	13,726,089	(3,002,187)	(11,057,198)	-	(5,239)	(338,535)
Disposals	(9,333,452)	(331,669)	(3,261,849)	(372,389)	(1,174,520)	(14,473,878)
Offset Accum Depr - Revaluation	(31,000,469)	-	(845,537)	-	-	(31,846,006)
Revluation increment	131,632,425	-	489,312	-	-	132,121,737
At 31 December 2015	261,948,331	8,954,500	3,394,521	8,366,451	459,983	283,123,785
Depreciation and impairment						
At 1 Janaury 2014	43,173,118	209,964	7,401,948	3,458,284	1,885,721	56,129,035
Depreciation charge	2,950,041	228,771	2,210,486	667,538	262,803	6,319,639
Disposals	(15,224,452)	(8,773)	(4,660,641)	(1,947,331)	(1,575,322)	(23,416,519)
At 1 January 2015	30,898,707	429,962	4,951,793	2,178,491	573,202	39,032,155
Depreciation charge	8,465,891	177,684	866,484	1,530,903	67,235	11,108,197
Disposals	(7,524,003)	(29,810)	(814,155)	(257,948)	(369,139)	(8,995,056)
Reclassification of Asset Class	3,550,901	(179,439)	(3,398,557)	-	(13,019)	(40,114)
Offset Accum Depr - Revaluation	(31,000,469)	-	(845,537)	-	-	(31,846,006)
At 31 December 2015	4,391,027	398,397	760,027	3,451,446	258,279	9,259,177
Net book value:						
At 31 December 2015	257,557,304	8,556,102	2,634,494	4,915,005	201,704	273,864,608
At 1 January 2015	125,440,761	11,858,394	12,392,859	6,560,349	1,066,539	157,318,902
At 1 Janaury 2014	7,995,568	11,838,455	8,398,169	1,779,209	890,681	30,902,082

During 2015, the Authority engaged Delloite (Australia) to carry out an independent valuation of their water systems, plant and equipment and for those assets where an independent valuation was not performed, a directors' valuation was carried out. Due to the specialised nature of the assets, the depreciated replacement cost approach was used to assess the fair value of the majority of the water infrastructure assets and the market approach was used to value a small number of mobile plant assets. The valuation was effective 30 June 2015 and was adopted in the financial statements as at 31 December 2015. The result of this revaluation was an increase in the value of water systems, plant and equipment and an increment to the asset revaluation reserve of SBD 132,121,737 as shown above.

	2015	2014
10. INTANGIBLE ASSETS	SBD	SBD
Software costs:		
Opening balance	-	-
Reclassification from property, plant and equipment	338,535	-
Disposal	(150,955)	-
Closing balance	187,580	-
Amortisation and impairment:		
Opening balance	-	-
Reclassification from property, plant and equipment	40,114	-
Disposal	(25,396)	-
Amortisation for the period	115,241	-
Closing balance	129,959	-
Net book value:	57,621	-

11. DEFERRED REVENUE

	SBD	SBD
Australian Aid	12,200,172	17,229,200
Japan International Cooperation Agency	112,813,181	119,479,752
Solomon Islands Government	7,760,423	6,820,225
	132,773,776	143,529,177

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

Current	10,280,194	5,240,501
Non-current	122,493,582	138,288,676
	132,773,776	143,529,177

12. CONTRIBUTED CAPITAL

	SBD	SBD
Contributed capital at the beginning of the year	59,625,874	59,625,874
Additional capital contribution during the year	-	-
Contributed capital at the end of the year	59,625,874	59,625,874

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

13. COMMITMENTS AND CONTINGENT LIABILITIES

SBD SBD

a) Contingent liabilities

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

	SBD	SBD
b) Capital commitments	Nil	Nil

c) Operating leases commitments contracted for building rentals

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

Not later than one year	783,750	954,580
Later than one year but not later than five years	156,750	190,320
	940,500	1,144,900

14. 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
David Laurie	Trevor Palmer	Carson Korowa

14 RELATED PARTY TRANSACTIONS (continued)

	2015 SBD	2014 SBD
(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	489,707	993,590

(d) Transactions with related parties

Transactions with related parties during the year ended 31 December 2015 with approximate transaction value are summarised as follows;

	2015 SBD	2014 SBD
Directors		
Directors remuneration and expenses	53,476	63,180

(e) Amount owed to related parties

	2015 SBD	2014 SBD
Non-current		
Solomon Islands Electricity Authority	2,664,816	3,385,279
Current		
Solomon Islands Electricity Authority	2,981,642	3,521,127
	5,646,458	**6,906,406**

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.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Liquidity risk

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

The table below summarises the maturity profile of the Authority's financial liabilities at 31 December 2015 based on contractual undiscounted payments.

	Trade and other payables	Payable to related party	Total
	SBD	SBD	SBD
31 December 2015			
3 to 12 months	10,159,852	2,664,816	12,824,668
1 - 2 years	-	937,500	937,500
> 2 years	-	2,044,142	2,044,142
	10,159,852	5,646,458	15,806,310
31 December 2014			
3 to 12 months	7,655,126	3,521,127	11,176,253
1 - 2 years	-	937,500	937,500
> 2 years	-	2,447,779	2,447,779
	7,655,126	6,906,406	14,561,532

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 $6,478,864 against the collective accounts. The Authority evaluates the concentration of risk with respect to trade receivables as high.

16. 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	
	2015 SBD	2014 SBD	2015 SBD	2014 SBD
Financial assets				
Cash	30,768,015	10,678,864	30,768,015	10,678,864
Trade and other receivables	16,391,930	23,052,441	16,391,930	23,052,441
	47,159,945	33,731,305	47,159,945	33,731,305
Financial liabilities				
Trade and other payables	10,159,852	7,655,126	10,159,852	7,655,126

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.

17. SUBSEQUENT EVENTS

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

18. CONTINGENT LIABILITIES

a). Autoro & Ors vs. SIWA

In March 2011, 14 former SIWA employees filed complaints before the Trade Disputes Panel ("Panel"). They alleged they were unfairly dismissed from employment. The last hearing of this case was on 18th November 2015. The matter was adjourned after a brief hearing to allow the Complainants to consider a possible settlement of those monies they were underpaid.

19. PRINCIPAL BUSINESS ACTIVITY

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

Principal place of business

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

Number of employees at the end of the period

Number of employees the authority employed at the reporting date was 143 (2014:149)

Solomon Islands Office of the Auditor-General

INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Water Authority

Report on the Financial Statements

Scope

I have audited the accompanying financial statements of Solomon Islands Water Authority, which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' and Management's Responsibility for the Financial Statements

The directors and management are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards and the requirements of the State Owned Enterprises Act, 2007. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the 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 the auditor's 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, the auditor considers internal control relevant to the authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 opinion.

Opinion

In my opinion, the financial statements of the Solomon Islands Water Authority give a true and fair view of the financial position of the authority as at 31 December 2015 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Peter Lokay
Auditor-General
30 March, 2016

Office of the Auditor-General
Honiara, Solomon Islands