SOLOMON ISLANDS WATER AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Contents

Table of contents	1
Directors' report	2 - 3
Statement by directors	4
Independent audit report	5 - 6
Statement of comprehensive income	7
Statement of changes in equity	8
Statement of financial position	9
Statement of cash flow	10
Notes to the financial statements	11 - 28

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 2016, 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	Carson Korowa
David Laurie	Trevor Palmer	

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 2016, 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 25,271,515 (2015: SBD 7,176,152).

Dividends

The Directors recommend that no dividends be declared for the financial year (2016: 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 31st day of March 2017.

Director	**Director**

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT BY DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016;

(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 2016 ;

(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 2016;

(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 2016;

(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 31st day of March 2017.

....
Director

....
Director

Solomon Islands Office
of the Auditor-General

INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Water Authority trading as Solomon Water

Report on the Financial Statements

Opinion

We have audited the financial statements of Solomon Islands Water Authority (the Authority), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standard on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Solomon Islands and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management and Directors for the Financial Statement

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

In preparing the financial statements, the management and Directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management and Directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

The management and Directors are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of the financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and access the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policy used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's and Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as going concern. If we conclude that material uncertainly exist as, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events as or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statement represent the underline transactions and events in a manner that achieves fair presentation.

We communicate with the management and Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the management and Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements
In accordance with the requirements of the Solomon Islands State Owned Enterprises Act 2007, in our opinion:
a) proper books of account have been kept by the Authority, so far as it appears from our examination of those books,

b) the accompanying financial statements:
  i. are in agreement with the books of the account; and
  ii. to the best of our information and according to the explanations given to us, give the information required by the Solomon Islands State Owned Enterprises Act 2007 in the manner so required.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Peter Lokay
Auditor-General
31 March, 2017

Office of the Auditor-General
Honiara, Solomon Islands

SOLOMON ISLANDS WATER AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 SBD	2015 SBD
Continuing operations			
Operating income	2.1	91,874,650	84,283,911
Other income	2.2	20,520,328	16,842,633
Revenue		112,394,978	101,126,543
Expenses			
Corporate expenses	2.3	(9,016,179)	(4,771,365)
Depreciation and amortisation		(10,996,517)	(11,223,438)
Salaries and employee benefits	2.4	(20,078,728)	(22,369,902)
Impairment of financial assets		(6,579,663)	(6,625,859)
Repairs and maintenance		(7,782,085)	(7,101,379)
.ools and uniforms		(1,006,192)	(688,859)
Utilities		(28,959,547)	(31,789,897)
Water treatment		(884,804)	(592,501)
Other expenses	2.5	(1,613,546)	(8,587,024)
		(86,917,261)	(93,750,225)
Finance expense	2.6	(206,202)	(200,166)
Net profit for the year		25,271,515	7,176,152
Other comprehensive income			
Other comprehensive oncome		-	-
Total comprehensive income for the year		25,271,515	7,176,152

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 2016

	Notes	2016 SBD	2015 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		142,169,998	10,048,261
Movement during the year		-	132,121,737
Balance at the end of the year		142,169,998	142,169,998
Retained earnings/accumulated losses			
Balance at the beginning of the year		(23,102,964)	(30,279,116)
Net comprehensive income for the year		25,271,515	7,176,152
alance at the end of the year		2,168,551	(23,102,964)
Total Equity		203,964,423	178,692,908

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 2016

	Notes	2016 SBD	2015 SBD
ASSETS			
Current assets			
Cash and cash equivalents	3	47,845,117	30,768,015
Trade and other receivables	4	17,004,490	16,391,930
Inventories	5	10,533,597	8,559,899
Prepayments and other assets	6	3,088,001	613,037
		78,471,205	56,332,881
Non-current assets			
Property, plant and equipment	9	271,744,704	273,864,608
Intangibles	10	19,208	57,621
		271,763,912	273,922,229
OTAL ASSETS		350,235,117	330,255,110
Liabilities			
Current liabilities			
Trade and other payables	7	12,268,193	10,159,852
Employee benefits liability	8	2,299,081	2,982,116
Deferred revenue	11	8,940,509	10,280,194
Payable to related party	14 (e)	2,831,147	2,981,642
Total current liabilities		26,338,929	26,403,804
Non current liabilities			
Payable to related party	14 (e)	2,022,478	2,664,816
Deferred revenue	11	117,909,287	122,493,582
Total non current liability		119,931,765	125,158,398
Total liabilities		146,270,694	151,562,202
Total net assets		203,964,423	178,692,908
Equity			
Capital contribution	12	59,625,874	59,625,874
Asset revaluation reserve		142,169,998	142,169,998
Retained earnings/Accumulated losses		2,168,551	(23,102,964)
Total equity		203,964,423	178,692,908
TOTAL EQUITY AND LIABILITIES		350,235,117	330,255,110

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 2016

	Note	2016 SBD	2015 SBD
Operating activities			
Net comprehensive income		25,271,515	7,176,152
Adjustment to reconcile profit to net cash flows			
Depreciation and amortisation of assets		10,996,517	11,223,438
Amortisation of deferred revenue		(8,940,510)	(10,280,053)
Loss on disposal of property, plant and equipment		-	5,605,709
Amortisation of discount on interest free loan		217,037	217,037
Interest income		(10,835)	(16,871)
Movements in employee benefit liabilities		(683,035)	970,980
Working capital adjustments:			
(Increase)/decrease in trade receivables		(612,560)	6,659,427
(Increase)/decrease in other receivables		(2,474,964)	2,764,816
(Increase) in inventory		(1,973,698)	(3,491,094)
(Decrease) in deferred revenue		-	(1,447,589)
Increase in trade and other creditors		2,108,341	2,504,726
Net cash flows from Operating Activities		23,897,807	21,886,678
Cash flows used in Investing Activities			
Investing activities			
Acquisition of plant and equipment		(5,821,670)	(337,413)
Interest received		10,835	16,871
Net cash flows (used in) Investing Activities		(5,810,835)	(320,542)
Financing activities			
Repayment of related party borrowings		(1,009,870)	(1,476,985)
Net cash flows (used in) Financing Activities		(1,009,870)	(1,476,985)
Net increase in cash held		17,077,102	20,089,151
Cash at the beginning of the year		30,768,015	10,678,864
Cash at end of year	3	47,845,117	30,768,015

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 2016 were authorised for issue in accordance with a resolution of the Directors on the 29th March 2017

Solomon Islands Water Authority is a state owned enterprise established under the Solomon Islands Water Authority Act 1993. The registered office and principal place is business is Mendana Avenue, Honiara, Solomon Islands . The principal activities of the Authority are described in Note 18. Information on other related party relationships of the Authority is provided in Note 14.

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 benefits will flow to the Authority and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Authority has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks. The specific recognition criteria described below 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 Islands Water Authority Act 1993.

1.2 Summary of significant accounting policies (continued)

d) Property, plant and equipment

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Authority depreciates them separately based on their specific useful lives. 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 profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The impairment accounting policy for goodwill and intangible assets with indefinite lives similarly applies to other non-financial assets, including property, plant and equipment. Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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 and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

1.2 Summary of significant accounting policies (continued)

e) Intangible assets (continued)

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

f) Leases

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

Authority as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Authority is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between 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 statement of profit or loss.

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.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Authority as a lessor

Leases in which the Authority does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

1.2 Summary of significant accounting policies (continued)

g) Borrowing costs

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

h) Financial instruments - initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Authority commits to purchase or sell the asset.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale (AFS) financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include 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 or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Authority has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

1.2 Summary of significant accounting policies (continued)

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

(i) Financial assets (continued)

Loans and receivables

This category is the most relevant to the Authority. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, 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 statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 4.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Authority has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the 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 as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Authority did not have any held-to-maturity investments during the years ended 31 December 2016 and 2015.

Available-for-sale financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Authority evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Authority is unable to trade these financial assets due to inactive markets, the Authority may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

1.2 Summary of significant accounting policies (continued)

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

(i) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Authority's statement of financial position) when:

- The rights to receive cash flows from the asset have expired: or
- The 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 passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Authority continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained.

(ii) Impairment of financial assets

The Authority assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 repay.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Authority first assesses whether 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.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

1.2 Summary of significant accounting policies (continued)

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

(ii) Impairment of financial assets (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 to the Group. 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 write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Authority's financial liabilities include trade and other payables.

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 include 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 incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Authority that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Authority has not designated any financial liability 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 EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

1.2 Summary of significant accounting policies (continued)

(iv) Offsetting of financial instruments

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

i) 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:

- Raw materials: purchase cost on a first-in/first-out basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw 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.

j) Impairment of non financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 1.4
- Property, plant and equipment Note 9

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Authority bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Authority's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

1.2 Summary of significant accounting policies (continued)

j) Impairment of non financial assets (continued)

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Authority estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

k) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

l) Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

m) 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.

1.2 Summary of significant accounting policies (continued)

n) Trade and other payables

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

o) Comparative figures

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

p) 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.

q) Foreign currencies

The Authority's financial statements are presented in Solomon dollars, which is also the Authority's functional currency. The Authority determines the functional currency and items included in the financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Authority at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

r) 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 Authority applied for the first time certain standards and amendments, which are effective for annual period beginning on or after 1 January 2016. The Authority has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual financial statements of the Authority. The nature and the impact of each new standard or amendment is described below:

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

  The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a 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 applied prospectively and do not have any impact on the Authority, given that it has not used a revenue-based method to depreciate its non-current assets.

- ***Amendments to IAS 1 Disclosure Initiative***

  The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
  - The materiality requirements in IAS 1;
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
  - That entities have flexibility as to the order in which they present the notes to financial statements;
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Authority.

1.4 Significant accounting judgments, estimates and assumptions

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

In the process of applying the Authority's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the financial statements have been discussed in the individual notes of the related financial statement line items.

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 adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items 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 that are beyond the control of the Authority. Such changes are reflected in the assumptions when they occur.

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.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Authority plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Authority performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Authority is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Authority.

2. OPERATING REVENUE AND EXPENSES	**2016 SBD**	**2015 SBD**
Included in revenue are:		
2.1 Operating income		
Water fees and charges	89,782,177	78,311,245
Standing charges	544,829	4,704,607
Disconnections/reconnection charges	1,547,644	1,268,059
	91,874,650	84,283,911
2.2 Other income		
Gain on sale of miscellaneous assets	25,705	395,300
Miscellaneous income	3,961,290	423,160
Bad Debts recovered	672,165	645,552
Solomon Islands Government - CSO grant	4,636,000	-
Amortisation of deferred revenue	8,940,517	15,237,306
Grants received from Government of Australia	2,284,652	141,315
	20,520,328	16,842,633

2. OPERATING REVENUE AND EXPENSES

Included in expenses are:

2.3 Corporate expenses	2016 SBD	2015 SBD
Advertising	252,113	348,230
Auditors' remuneration	247,075	214,600
Board allowances	41,160	53,476
Travel and transport	415,142	321,201
Printing, freight and stationery	1,173,517	1,180,582
Insurance	429,024	459,769
Lease rentals	1,149,337	1,231,873
Software training and computer consumables	1,274,439	367,443
Telephone	917,742	857,672
Other expenses	3,116,630	(263,481)
Total expenses	9,016,179	4,771,365

2.4 Salaries and employee benefits	SBD	SBD
Wages and salaries	8,740,847	9,616,765
Key management personnel	1,431,325	489,707
Superannuation	1,290,708	2,367,037
House rentals and allowances	8,615,848	9,896,393
	20,078,728	22,369,902

2.5 Other expenses	SBD	SBD
Project expenses - Australian Aid	1,292,357	141,315
Loss on disposal of property, plant and equipment	-	5,605,709
	1,613,546	8,587,024

2.6 Finance (expense)/income	SBD	SBD
Amortisation of discount - SIEA	(217,037)	(217,037)
Interest received	10,835	16,871
	(206,202)	(200,166)

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	41,284,392	24,213,178
Cash in hand	17,300	20,500
Term deposits	6,543,425	6,534,337
Cash at bank and on hand	47,845,117	30,768,015

4. TRADE AND OTHER RECEIVABLES

	SBD	SBD
Trade receivables	38,795,885	42,195,513
Provision for impairment of receivables	(21,791,394)	(25,803,583)
	17,004,490	16,391,930

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

4. TRADE AND OTHER RECEIVABLES (continued)

	2016	2015

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

	Total	Neither past due nor	Past due but not impaired 30 - 60 days	60 - 90 days	>90 days
	SBD	SBD	SBD	SBD	SBD
2016	17,004,490	6,568,805	4,558,625	2,601,268	3,275,792
2015	16,391,930	5,655,337	3,463,159	2,511,059	4,762,375

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

	SBD	SBD
Opening balance	(25,803,583)	(31,111,667)
Charge for the year	(6,579,663)	(6,625,859)
Utilised	10,591,852	11,933,943
	(21,791,394)	(25,803,583)

5. INVENTORIES

	SBD	SBD
Stores and consumables	9,228,303	8,559,899
Goods in transit	1,305,294	-
	10,533,597	8,559,899

6. PREPAYMENTS AND OTHER ASSETS

	SBD	SBD
Other debtors	2,304,620	109,979
Prepayments	783,380	503,058
	3,088,001	613,037

7. TRADE AND OTHER PAYABLES

	SBD	SBD
Current		
Trade payables	1,055,640	1,136,070
Other payables	2,737,904	2,544,918
Water deposits	8,474,649	6,478,864
	12,268,193	10,159,852

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

8. EMPLOYEE BENEFIT LIABILITY

	SBD	SBD
Employee entitlements		
Balance at beginning of year	2,982,116	2,011,136
Net movement during the year	(683,035)	970,980
Balance at year end	2,299,081	2,982,116
Represented by:		
Annual leave	915,064	1,169,814
Long service benefit	1,197,715	1,695,022
Long service leave	186,302	117,280
	2,299,081	2,982,116

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 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 1 January 2016	261,948,331	8,954,500	3,394,521	8,366,451	459,982	283,123,785
Additions	7,580,363	-	608,604	649,234	-	8,838,200
At 31 December 2016	269,528,694	8,954,500	4,003,125	9,015,685	459,983	291,961,985
Depreciation and impairment						
At 1 Janaury 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 1 January 2016	4,391,027	398,397	760,027	3,451,446	258,279	9,259,177
Depreciation charge	8,702,621	90,855	863,810	1,250,392	50,425	10,958,104
At 31 December 2016	13,093,649	489,252	1,623,837	4,701,838	308,704	20,217,281
Net book value:						
At 31 December 2016	256,435,045	8,465,248	2,379,288	4,313,846	151,279	271,744,704
At 1 January 2016	257,557,304	8,556,103	2,634,494	4,915,005	201,703	273,864,608
At 1 Janaury 2015	125,440,761	11,858,394	12,392,859	6,560,349	1,066,539	157,318,902

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.

10. INTANGIBLE ASSETS

	2016 SBD	2015 SBD
Software costs:		
Opening balance	187,580	-
Reclassification from property, plant and equipment	-	338,535
Disposal	-	(150,955)
Closing balance	187,580	187,580
Amortisation and impairment:		
Opening balance	129,959	-
Reclassification from property, plant and equipment	-	40,114
Disposal	-	(25,396)
Amortisation for the period	38,413	115,241
Closing balance	168,372	129,959
Net book value:	19,208	57,621

11. DEFERRED REVENUE

	SBD	SBD
Australian Aid	12,267,544	12,200,172
Japan International Cooperation Agency	107,008,921	112,813,181
Solomon Islands Government	7,573,331	7,760,423
	126,849,796	132,773,776

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

Current	8,940,509	10,280,194
Non-current	117,909,287	122,493,582
	126,849,796	132,773,776

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

(i) 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 2nd September 2016. The matter was adjourned after a brief hearing to allow for final submission to be made.

(ii) 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	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	830,500	783,750
Later than one year but not later than five years	166,100	156,750
	996,600	940,500

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	Carson Korowa
David Laurie	Trevor Palmer	

(b) Controlling Entities

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

	2016	2015
(c) Compensation of key management personnel	SBD	SBD
Short term employee benefits	1,431,325	489,707

(d) Transactions with related parties

Transactions with related parties during the year ended 31 December 2016 with approximate transaction value are summarised as follows;

Directors	SBD	SBD
Directors remuneration and expenses	41,160	63,180

(e) Amount owed to related parties	SBD	SBD
Non-current		
Solomon Islands Electricity Authority	2,022,478	2,664,816
Current		
Solomon Islands Electricity Authority	2,831,147	2,981,642
	4,853,625	**5,646,458**

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 2016 based on contractual undiscounted payments.

	Trade and other payables	Payable to related party	Total
31 December 2016	SBD	SBD	SBD
3 to 12 months	12,268,193	2,022,478	14,290,671
1 - 2 years	-	937,500	937,500
> 2 years	-	1,893,647	1,893,647
	12,268,193	4,853,625	17,121,817

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Trade and other payables	Payable to related party	Total
31 December 2015	SBD	SBD	SBD
3 to 12 months	10,159,852	2,981,642	13,141,494
1 - 2 years	-	937,500	937,500
> 2 years	-	1,727,316	1,727,316
	10,159,852	5,646,458	15,806,310

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 8,483,703 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	
	2016	2015	2016	2015
Financial assets	SBD	SBD	SBD	SBD
Cash	47,845,117	30,768,015	47,845,117	30,768,015
Trade and other receivables	17,004,490	16,391,930	17,004,490	16,391,930
	64,849,608	47,159,945	64,849,608	47,159,945
Financial liabilities				
Trade and other payables	12,268,193	10,159,852	12,268,193	10,159,852

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. 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 135 (2015:143)