



Clean Water for a Better Life.

CONSOLIDATED ANNUAL REPORT
2010-2012



VISION

The effective and efficient delivery of quality drinking water and wastewater services in accordance with World Health Organization guidelines.

MISSION

The Water Authority of Fiji is committed to operating as an independent, effective, efficient and financially viable water supply and waste water service provider delivery agreed levels of services to the people of Fiji.

VALUES

The values that are key to Water Authority of Fiji culture are:

- Customer Services Focus
- Individual attitude to do the right job, do it once and do it right.
- Continuous improvements
- Individual accountability
- Teamwork
- Transparency
- Honesty



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Letter to the Minister



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Attorney General and Minister for Public Enterprises

Mr Aiyaz Sayed-Khaiyum

Level 7 Suvavou House

Victoria Parade

Suva

Dear Minister,

I am pleased to present the Water Authority of Fiji's consolidated Annual Report for the years 2010, 2011 and 2012.

The report provides a summary of WAF's performance for the financial years 2010 to 2012, and incorporates the consolidated audited financial statements for that same period.

On behalf of the of the Authority I wish to take this opportunity to thank Government for its ongoing support through this time of transition, and look forward to its continued support in the future.

Sincerely,

P.L. Munasinghe
Chairman

Tamavua water treatment plant



Chairman's Message



This is the first Annual Report since the promulgation of the Water Authority of Fiji (WAF) on 1st January 2010, under the Water Authority of Fiji Promulgation No. 25 of 2007.

This Annual Report contains the commentary and the audited accounts of three financial years 2010, 2011 and 2012.

WAF needs to keep in perspective the fundamental and vitally important role it plays in providing safe drinking water and disposal of waste water services to the community. WAF also needs to keep in perspective that access to safe drinking water and waste water disposal services are not the privilege of those living in cities and towns, but must also be extended to remote communities in the outlying islands and in the hinterlands.

With the population of the world, anticipated to grow by a third to eight billion people in 2050, access to clean water and agriculture have been identified as two of the biggest challenges mankind will have to face in the intervening years. Fiji, although blessed with a kind climate and seemingly plentiful water resources, must be proactive in framing the challenges that lie ahead and prepare ourselves now, to successfully meet those challenges.

Currently, each year the Government allocates funds to WAF to meet its operating expenditure and the capital expenditure budgets. The money collected from consumers for water and sewerage charges are banked intact to the Government consolidated fund. In this situation, and also as the tenure of Board and Management appointments are relatively short, it is easy to be seduced into short term thinking and to spend the scarce funds allocated

by the Government on projects that would maximise the appeasement of the community in the short term. Following such a path will eventually leave a legacy of an organisation that is hopelessly out-of-date and woefully unprepared to meet the needs of a growing nation.



The yearly allocation of scarce funds by Government for capital expenditure compels WAF to carefully apportion the expenditure between immediate operational needs and funding of long term strategic projects. Hence, very often, WAF does not have the luxury to implement strategic projects in one go, but rather to defer implementation over several years. This is not ideal, but it is the reality considering the scarcity of funding.

Keeping these matters in mind, we identified the following areas of focus:

- Organisational reform
- Future proofing
- Masterplans
- Reducing water loss
- Rural projects
- Replacing aged infrastructure
- Tariff review
- Billing and Debtors

ORGANISATIONAL REFORM

The WAF is still burdened with remnants of legacy issues from the Water and Sewerage Department days, and yet to become an efficient and effective organisation usually associated with a thriving private sector utility. Working within Government rules and guidelines (which sometimes can be bureaucratic and time consuming), this transition can be achieved, provided the Management will and resolve prevail.



Fiji, although blessed with a kind climate and seemingly plentiful water resources, must be proactive in framing the challenges that lie ahead and prepare ourselves now, to successfully meet those challenges.

Chief Operating Officer Role

A Chief Operating Officer role was created in January 2012, so that the production and project management functions are managed by a qualified and experienced Engineer. The hiving of these key intensive functions to a separate senior managerial role allows the Chief Executive Officer role to provide better oversight and effective strategic leadership to the Organisation.

Regional Structure

Under the previous departmental structure, the technical services and production departments had staff and resources employed in each region, thus duplicating resources. This was changed to a regional structure, where the head of each region would engage his staff and resources to carry out all tasks associated with the technical services and production functions. This move will be further intensified with further organisational reforms by integrating the customer service function under the Regional structure to improve response to customers, bring more commercial focus in the operation and finally, reduce water loss to an optimal economic level. This gradual organisational transformation will bring efficiency and efficacy in service delivery and ensure geographical accountability within the organisation.

Capacity Building

It was recognised very early, in order to become an effective utility, we need to build skills and capacity within WAF.

It was a common practise to hire external consultants on a regular basis to carry out the design, supervision and other tasks, paying high and sometimes exorbitant fees and often on lop-sided contracts, which favoured the consultants. Often these consultants completed their limited assignments and left without providing any meaningful training, imparting skills or transferring knowledge to the WAF personnel.

Accordingly, several Engineers were recruited, (26 in total, at time of writing this report) and assigned to various key functions. Opportunities have been provided for some of these Engineers to travel overseas on training assignments. The challenge is to retain these young Engineers in the long term, by providing an environment where they feel empowered and where they can continuously learn and flourish. These Engineers are the future of WAF.

WAF has also partnered with academia and industry to establish the new CENTRE for WATER and ENERGY ENGINEERING (CWEE), which will be based at the FNU campus in Samabula. Conceptually, the Fiji National University (FNU) and the Royal Melbourne Institute of Technology (RMIT) will work with WAF in resolving identified problems in WAF's infrastructure. They (FNU and RMIT) will then design solutions which will be tested out in a fully operational laboratory before being implemented on site. The courseware will then be developed from this and used for future courses. This is commonly known as 'Problem Based Learning (PBL)'. The laboratory will be set up by the Centre's industry partners like ABB and TORISHIMA. These industry partners will also supply the equipment required to implement the identified solution.





Customer Relations

To gain the confidence of the customers and the community, it is imperative that WAF improve its customer relations. A Call Centre was established, manned 24 hours a day, seven days a week, to handle customer queries and complaints. Bench marks were set to resolve customer complaints and measured to improve customer relations. The customer service centres were revamped to provide a pleasant ambience and ticketing systems installed for customer convenience. However, customer relations are still a challenge and we need to continuously strive to improve response times to customer complaints.

Internal Audit

To improve governance and internal controls, an external audit firm was engaged to carry out the function of internal audit within WAF. The annual internal audit plans prioritise the areas subject to audit in consultation with the Board Finance and Audit Sub-Committee. A separate internal audit department was also set up within WAF, to carry out regular procedural audits of key vulnerable areas and also to spearhead internal investigations into instances of malfeasance, fraud, mal-practices and abuse of office.

Infrastructure and Resources

WAF is chronically under resourced in terms of vehicles and operational equipment. In recent times, the capital expenditure allocations have been prioritised more towards projects, resulting in under investment in internal infrastructure and resources. This has resulted in the

operating expenditure being over-burdened by high external rental and hire charges for vehicles and equipment. A programme is now in place to gradually replace and shore up the operational vehicle fleet and badly needed operational equipment. WAF also invested in a high-pressure water-blaster truck and a CCTV sewer inspection system, that have greatly improved the inspection and repair of sewer systems around the country.

Workplace Attitudes

The hangover of complacency and lack of diligence carried over from the Water and Sewerage Department days still lingers in some quarters of WAF. The challenge is to transform staff attitudes into one of diligence and commitment. If WAF is to progress to being an efficient utility, then the personnel need to act with a sense of urgency and purpose, as they discharge their day-to-day functions. The CEO and his Management team carry out regular road shows to all operational locations to bring about this vital and much needed transformation.

FUTURE PROOFING

Important initiatives are being taken in key areas to future-proof WAF. Details of the Water and Sewerage Reticulation System are noted in large manual books called the 'Water Books'. Very often you hear of instances of relying on the institutional memory of 'Old Hands', to locate valves or other important components of a reticulation system. This situation cannot be allowed to continue and needs to be addressed with utmost urgency.

Geographical Information Systems (GIS)

A separate unit was set up and Munsys (Autocad Spatial Integrated Application) software purchased to commence the GIS project to map and digitise the reticulation networks. Once completed with the addition of an asset management module, these digital maps will identify every component in the system and additionally, will specify the age and dimensions of the pipes that make up the system. This will provide vital information to manage the system and to identify under-sized and aged pipes for replacement. The GIS system will also facilitate water modelling, which is vital for demand management and expansion of the network. Recently, handheld GPS units were purchased to identify exact locations of the components of the reticulation system to increase data accuracy in the GIS. The GIS will map reticulation systems in all major cities and towns and is 95% complete.

Kinoya Greenhouse Gas Emission Reduction Project

WAF has completed the Greenhouse Gas Emission Reduction Project at the Kinoya Sewerage Treatment Plant in line with the Government's National Climate Change policy. This is an ADB funded project which was initiated in 2008 by the Ministry of Works, Transport and Public Utilities. An agreement has now been put in place amongst all stakeholders, including ADB as trustee for the Future Carbon Fund, to purchase Certified Emission Reductions at a price of USD 8.50 per tonne upon issuance of monitored data of methane. This arrangement will continue until the expiry of the Kyoto Protocol to reduce green house gas concentration in the atmosphere by 2021.

REDUCING WATER LOSS (NON-REVENUE WATER)

Reducing water loss ranks amongst the highest priorities at WAF. Water loss is the difference between the outflow of treated water from the treatment plants and the volume billed and accounted to customers and currently hovers around 40% to 50%. This is extremely high, considering the industry average of 20% or less. The contributory reasons for water loss are:

- Extensive leaks through deteriorated and aged pipes
- Defective or old meters at customers' premises under-reading water flow
- Unregistered meters
- Theft
- Excessive system pressures

Meter Replacement

It is estimated that 35% of meters are over 15 years old and under-reading the flow of water to customers' premises. A progressive programme has been put in place to replace 26000 meters per annum on a rolling basis. These meters are replaced at no cost to the customer, as an extended service to customers. A scheme has also been introduced for meter readers to be rewarded for detecting instances of water theft and unregistered meters (that is, meters installed but not recorded in the WAF billing database).

Leak Detection

WAF has purchased several sets of leak detection equipment. This detection equipment has been deployed



The GIS will map reticulation systems in all major cities and towns and is 95% complete.



to all regions around the country. Field staff will be “walking the line” to detect water leaks in the main water lines. In the secondary phase, the intention is to offer leak detection services to customers as part of the extended service.

RURAL PROJECTS

As stated earlier, the supply of clean water and the disposal of wastewater services to rural communities are high ranking priorities. Accordingly, the planning and implementation of rural projects have been taken under the Chief Executive's office. Currently, the involvement of several Government stakeholders and agencies, and the resulting processes and approvals involved, are delaying the identification of rural projects for consideration and implementation. Recommendations have been made to streamline the processes involved, so that these basic services to the rural communities can be provided more efficiently and quickly.

REPLACING AGED INFRASTRUCTURE

It is an established fact that large parts of the underground water and waste water infrastructure are very old and are in need of replacement. When carrying out pipe line repairs, it is a common occurrence to note unconventional and ad hoc maintenance done to the network previously, such as connection of pipes of difference dimensions, and extension of network without regard to the system hydraulics. The implementation of GIS, which will digitally map the pipe network, has greatly advanced establishing priorities to progressively replace the aged infrastructure and also to rectify unconventional maintenance done previously. A sizeable allocation from the Capex budget is appropriated each year for the progressive replacement of this old underground infrastructure.

BILLING AND DEBTORS

WAF is facing significant challenges from the billing system and the mounting debtors' arrears. The current system vendors have struggled in the past to provide a satisfactory level of service due to personnel changes and consideration is now being given to acquiring a new billing system or enhancing the existing one. The customer database inherited by the Water and Sewerage Department lacked sufficient details, which is proving an obstacle for follow-up of debts. The mounting debtors' arrears are also a real concern and are due to a variety of reasons. Whilst collections of debts from regular customers are enforced through disconnections of water supply, there are various other categories of debtors where enforcement is not possible through this means. A Cabinet paper is currently under preparation seeking approval to write-off debts deemed irrecoverable, so that WAF could start with a clean slate in this area.

I would like to thank the Board of Directors for providing the support for setting the strategic direction for WAF. I would also like to thank the Chief Executive Officer and the Senior Management team for advancing the progress of WAF, sometimes with limited resources and under difficult circumstances.

Much work lies ahead in the transition of WAF to a high performing and efficient utility.

P.L. Munasinghe
Chairman

CEO's Report



WAF is responsible for providing access to quality drinking water to over 700,000 people nationwide.



A NEW AUTHORITY

The years 2010 to 2012 have been key in the transition from a Government Department to a Commercial Statutory Authority (CSA).

The Water Authority of Fiji was formed by the Government of Fiji under the WAF Promulgation 2007 in order to provide environmentally sound, sustainable, efficient and effective water and wastewater services.

Following the 2009 Government reforms to strengthen the then Water and Sewage Department (WSD) in preparation for the transition from Government Department to an autonomous organisation, WAF was established with effect from 1st January 2010 as a new CSA, officially taking over all responsibilities, functions and operations previously undertaken by WSD.

WAF is responsible for providing access to quality drinking water and wastewater services to over 144,000 residential and non-residential metered customers, reaching over 700,000 people nationwide.

The Authority's area of operation covers 18,274 square kilometres with a water and wastewater network of more than 4,200 kilometres of pipes.

LEGACY

The new Authority is dedicated to the delivery of water supply and wastewater services, at the required quality standard. The legacy inherited by WAF has made meeting this commitment an on-going challenge.

WAF inherited a debt of \$38m and a reliance upon Government grants for operating and capital expenses, a lack of properly documented business processes or consolidated data and a lack of vehicles and machinery.

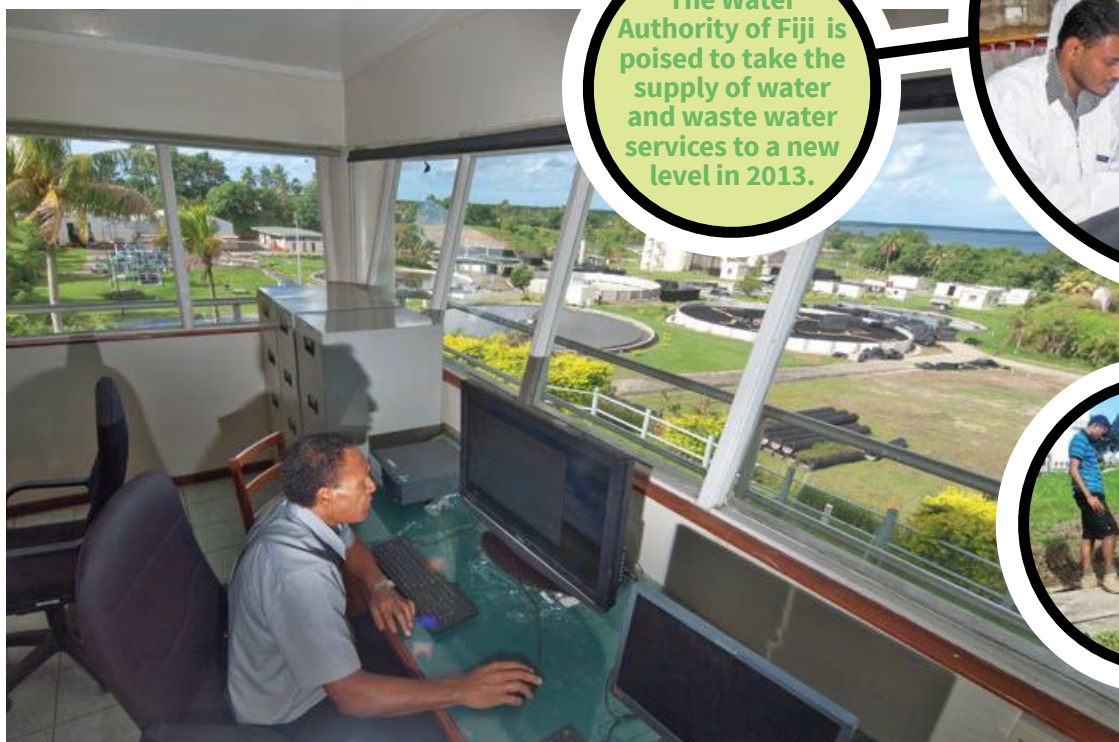
The domestic water tariff for the first 50 units (1 unit = 1,000 litres) used has remained at 15 cents per unit since 1999.

On average, it costs WAF approximately \$2.04 cents to supply 1,000 litres to the customer.

INFRASTRUCTURE

The existing WSD urban water supply and sewerage systems inherited by the new Authority were constructed 30 to 40 years ago. This aging infrastructure has not kept pace with the increasing demands of population growth or commercial and industrial development. This, combined with deferred maintenance and the resulting deterioration, has meant that WAF has been faced with the challenge of frequent water supply interruptions and breakdowns.

Some areas have been subjected to intermittent supply due to poor hydraulics, and in other areas, undue problems have been caused through the existing network not being properly implemented to design.



The Water Authority of Fiji is poised to take the supply of water and waste water services to a new level in 2013.

TECHNOLOGY

When WAF took over responsibility for the supply of water and wastewater services, in January 2010, the technology in place was old and outdated, with a reliance on semi-automatic and manual systems.

It was not possible to forecast future supply demands and their impact on existing infrastructure as there was no Geographic Information Systems (GIS) in place.

In 2011, the GIS Unit and System were set up. This has allowed for the digitising of all WAF Fiji-wide assets, the storing of spatial data and related attributes in a database, and the utilisation of this data in order to meet business objectives. The system also provides a GIS snapshot of all WAF infrastructure, and has resulted in the integration of GIS to the Work Management System (WMS) and the billing system and the water modelling software.

PERSONNEL

At the time of the transition from WSD to WAF, the existing workforce, which was over reliant on consultants, was challenged by the expectations of the new Authority. Those who were unable to adjust to the new, changed work culture either left voluntarily or were asked to leave for failing to meet their performance goals.

With zero tolerance for corruption on any level the benchmark for WAF, the Fraud and Risk Management Unit was established.

NEW BUSINESS UNITS

To address the challenges faced by the new Authority, WAF has established five Strategic Business Units.

Corporate SBU

Headed by the CEO, the Corporate SBU is responsible for driving the Authority in achieving the corporate vision, assisted by the following supporting units:

- Human Resources Unit
- Fraud Risk Management Unit
- Legal Unit
- Security Unit
- Strategic Planning Unit
- Rural and Outer Island Water Schemes Unit
- Corporate Communications Unit

Production SBU

Responsible for the monitoring, maintenance and operations of the Authority's assets and resources, the Production Unit is supported by the activities of the following sub-units to ensure the effective and efficient use of WAF assets:

- Water Assets – network distribution system, intakes, reservoirs, treatment plants
- Waste Water Unit
- Environment Unit
- National Water Quality Laboratory (NWQL)
- Water Loss Unit
- Technical Services Unit
- GIS Unit



Water Authority of Fiji

Financial Statements

for the year ended 31 December 2010

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Water Authority of Fiji

Directors' Report

for the year ended 31 December 2010

In accordance with a resolution of the board of directors, the directors herewith submit the statement of financial position of Water Authority of Fiji (the "Authority") as at 31 December 2010 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date. The Water Authority of Fiji was established on 1 January 2010 as a commercial statutory authority in accordance with the Water Authority of Fiji Promulgation of 2007.

Directors

The names of directors in office at the date of this report and at any time during the financial year and up until the date the financial statements were authorised for issue are as follows:

Board member	Appointed	Resigned
Mr P.L. Munasinghe (Chairman)	09/03/2011	Current
Mr Umarji Musa	27/02/2009	Current
Mr Vijay P Maharaj	09/03/2011	Current
Ms Saipora Mataikabara	27/02/2009	23/04/2012
Ms Elizabeth Powell	20/10/2010	Current
Mr Shaheen Ali	13/03/2012	Current
Mr John Prasad	27/02/2009	15/09/2010

State of affairs

In the opinion of the directors, the accompanying statements of financial position give a true and fair view of the state of affairs of the Authority as at 31 December and the accompanying statement of comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flows of the Authority for the year then ended.

Trading results

The net loss for the year after income tax expense amounted to \$86,691,366.

Dividends

The directors recommend that no dividends be declared or proposed for the year.

Principal activity

The principal activity of the Authority during the course of the financial year was to harvest, treat and reticulate water for supply to its customers and to establish, operate and maintain systems for the provision of water and sewerage services.

Current assets

The directors took reasonable steps before the Authority's financial statements were prepared to ascertain that the current assets of the Authority were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

At the date of this report, the directors are not aware of any circumstances which would render the values attributable to the current assets in the financial statements to be misleading.

Water Authority of Fiji

Directors' Report *continued*

for the year ended 31 December 2010

Receivables

The directors took reasonable steps before the Authority's financial statements were prepared to ascertain that all known bad debts were written off and adequate allowance was made for impairment losses.

At the date of this report, the directors are not aware of any circumstances which would render the above assessment inadequate to any substantial extent.

Related party transactions

All related party transactions have been adequately recorded in the financial statements.

Events subsequent to balance date

In September 2012 the Government of Fiji announced its intention to waive \$13.9 million of water bills owed to Water Authority of Fiji. The waiver applies to 25,529 accounts with the following breakdown: 22,345 Domestic, 1,855 Commercial, 375 Government and 954 Schools and Religious Organisations.

Apart from the above, no other 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

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amounts stated in the accounts to be misleading.

Unusual circumstances


The results of the Authority's operations during the financial year have not in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.


Directors' interests

No director of the Authority has, since the end of the financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors shown in the Authority's financial statements) by reason of a contract made with the Authority or a related corporation with the director or with a firm of which he or she is a member, or in a Authority in which he/she has a substantial financial interest.

Dated at Suva this 1st day of May 2013.

Signed in accordance with a resolution of the Directors.

Director 

Director 

Water Authority of Fiji

Statement by Directors


for the year ended 31 December 2010


In the opinion of the directors of Water Authority of Fiji:

- (a) the accompanying statement of comprehensive income of the Authority is drawn up so as to give a true and fair view of the results of the Authority for the year ended 31 December 2010;
- (b) the accompanying statement of changes in equity of the Authority is drawn up so as to give a true and fair view of the changes in equity of the Authority for the year ended 31 December 2010;
- (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 2010;
- (d) the accompanying statement of cash flows of the Authority is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 31 December 2010;
- (e) at the date of this statement there are reasonable grounds to believe the Authority will be able to pay its debts as and when they fall due; and
- (f) all related party transactions have been adequately recorded in the books of the Authority.

Dated at Suva this 1st day of May 2013.

Signed in accordance with a resolution of the Directors.

Director 

Director 



8th Floor, Ratu Sukuna House,
MacArthur Street,
P.O.Box 2214,
Government Building
Suva, Fiji Islands

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**WATER AUTHORITY OF FIJI
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

INDEPENDENT AUDIT REPORT

I have audited the accompanying financial statements of Water Authority of Fiji, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information as set out in pages 12 to 33.

Directors and Management's Responsibility for the Financial Statements

Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the requirements of Section 20(7) of the Water Authority of Fiji Promulgation 2007 and the Public Enterprise Act 1996. These responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of 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 these financial statements based on the audit. I have conducted the 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 judgement, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Disclaimer of Opinion

1. The Authority made adjustments to several general ledger accounts in 2010 and was not able to provide journals for these adjustments for audit verification. As a result I was unable to ascertain whether the adjustments made were correct and properly authorised.
2. A significant variance of \$5,400,498 was noted between the general ledger balance (\$1,323,234) and the subsidiary ledger balance (\$6,723,732) for inventory due to the two records not linked. The Authority did not reconcile the variance, as a result, I was not able to ascertain whether the inventory amount is fairly stated in the financial statements.
3. Property, plant and equipment valued at \$1,888,909,608 transferred from the Government were taken in the Authority's books based on the valuation carried out by the Government in 2006. Valuation at the time of takeover was not carried out, as a result, I was not able to ascertain whether the net book value of property, plant and equipment amounting to \$1,832,506,702 is fairly stated in the financial statements.
4. The Authority did not provide evidence of stock take of inventories at the beginning and at end of the year. In addition, chemical stock on hand as at 31 December 2010 was not included in the statement of financial position. I was unable to satisfy myself by alternative means that the inventory quantities held at 31 December 2010 and its valuation which are stated in the statement of financial position at \$1,323,234.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis of Disclaimer of Opinion paragraphs, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the Authority's financial statements.



Tevita Bolanavanua
AUDITOR GENERAL

Suva, Fiji
23 May 2013



Water Authority of Fiji

Statement of Comprehensive Income

for the year ended 31 December 2010

	Note	2010 \$
Revenue	5	63,363,727
Other income	6	1,012,538
Total Revenue		<u>64,376,265</u>
Personnel expenses	8	(17,989,067)
Operating expenses	7	<u>(44,951,090)</u>
Profit from operations before depreciation, finance income and income tax expense		1,436,108
Depreciation	14	(85,763,471)
Finance income	9	37,535
Finance costs	9	-
Loss before income tax		<u>(84,289,828)</u>
Income tax expense	10a	(2,401,538)
Loss for the year		<u>(86,691,366)</u>
Other comprehensive income for the year, net of income tax		-
Total comprehensive income for the year		<u>(86,691,366)</u>

The notes on pages 21 to 42 are an integral part of these financial statements.

Water Authority of Fiji

Statement of Changes in Equity

for the year ended 31 December 2010

	Contributed Equity \$	Retained Losses \$	Total \$
Balance at 1 January 2010	1,905,581,973	-	1,905,581,973
Transfer of water and sewerage bills collected to Government of Fiji Consolidated Fund Account	(25,391,642)	-	(25,391,642)
Total comprehensive income for the year			
Loss	-	(86,691,366)	(86,691,366)
Total other comprehensive income, net of tax		-	
Balance at 31 December 2010	1,880,190,331	(86,691,366)	1,793,498,965

The notes on pages 21 to 42 are an integral part of these financial statements.


Water Authority of Fiji

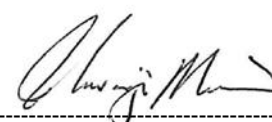
Statement of Financial Position

as at 31 December 2010

	Note	2010 \$
Non-current assets		
Property, plant and equipment	14	1,832,506,702
Total non-current assets		<u>1,832,506,702</u>
Current assets		
Cash and cash equivalents	11	2,747,168
Trade and other receivables	12	23,042,095
Inventories	13	1,323,234
Held-to-maturity investments	15	1,000,000
Other assets and prepayments	16	2,922,569
Total current assets		<u>31,035,066</u>
Total assets		<u><u>1,863,541,768</u></u>
Equity and reserves		
Contributed equity		1,880,190,331
Retained losses		(86,691,366)
		<u>1,793,498,965</u>
Current liabilities		
Trade and other payables	16	28,534,868
Employee benefits	17	569,256
Total current liabilities		<u>29,104,124</u>
Non current liabilities		
Deferred revenue	18	38,537,141
Deferred tax liability	10(b)	2,401,538
Total non current liabilities		<u>40,938,679</u>
Total liabilities		<u>70,042,803</u>
Total equity and reserves and liabilities		<u><u>1,863,541,768</u></u>

Signed for and on behalf of the Board of Directors.

Director 

Director 

The notes on pages 21 to 42 are an integral part of these financial statements.

Water Authority of Fiji

Statement of Cash Flows

for the year ended 31 December 2010

	Note	2010 \$
Cash flows from operating activities		
Receipts from customers		25,391,642
Receipt from Government - operating grant		38,137,921
Payment to suppliers and employees		(43,604,864)
Payment to Government - Consolidated Fund Account		(25,391,642)
Income tax paid		-
Interest paid		-
Net cash flow from operating activities		<u>(5,466,943)</u>
Cash flows from investing activities		
Receipt from Government - capital grant		38,537,141
Payments for property, plant and equipment		(29,360,565)
Payments for term deposits		(1,000,000)
Net cash flow from investing activities		<u>8,176,576</u>
Cash flows from financing activities		
Proceeds from interest income		<u>37,535</u>
Net cash flow from financing activities		<u>37,535</u>
Net increase in cash and cash equivalents		2,747,168
Cash and cash equivalents as at 1 January 2010		-
Cash and cash equivalents as at 31 December 2010	23	<u><u>2,747,168</u></u>

The notes on pages 21 to 42 are an integral part of these financial statements.

Water Authority of Fiji

Notes to the Financial Statements

for the year ended 31 December 2010

1. Reporting Entity

Water Authority of Fiji (the "Authority") is a corporate body with perpetual succession and a common seal established under the Water Authority of Fiji Promulgation 2007 in Fiji. The address of the Authority's registered office is Kings Road, Nasinu.

The principal activity of the Authority during the course of the financial year was to harvest, treat and reticulate water for supply to its customers and to establish, operate and maintain systems for the provision of water and sewerage services. Other functions of the Authority are stated in section 7 of the Water Authority of Fiji Promulgation 2007.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and the requirements of the Water Authority of Fiji Promulgation 2007.

The financial statements were approved by the Board of the Directors on 1 May 2013.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis except where stated. The accounting policies have been consistently applied by the Authority.

(c) Functional and presentation currency

The financial statements are presented in Fiji dollars, which is the Authority's functional currency. All financial information presented in Fiji currency has been rounded to the nearest dollar.

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 3(b) - Property, plant and equipment

Note 3(c) - Financial instruments

Note 3(f) - Impairment

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

3. Significant accounting policies

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Fiji dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Fiji dollars at the exchange rate at that date. The foreign currency gains or losses on translation are recognised in profit or loss.

(b) Property, plant and equipment

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Authority and its cost can be measured reliably. The cost of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Property, plant and equipment including leasehold land, building, furniture and fittings, plant & equipment and motor vehicles, but excluding freehold land is depreciated using the straight line method, at rates which will write off the costs of those assets over their expected useful lives. Leasehold land is amortised over the period of lease. The method of write off and the rates used are those considered appropriate to each class of asset.

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

3. Significant accounting policies *continued*

The depreciation rates for each class of assets are as follows:

Buildings and improvements	1.25% - 2.5%
Water Distribution Equipment	1%-5%
Sewerage Equipment	1%-5%
Furniture and fittings	7% - 12%
Office Equipment	3%- 12%
Motor vehicles	20%
Computers	33%
Leasehold land	Over term of lease

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(b) Financial instruments

(i) Non-derivative financial assets

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

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

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

Non-derivative financial assets of the Authority include trade and other receivables excluding prepayments.

Loans and receivables

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

Loans and receivables comprise trade and other receivables and other assets excluding prepayments.

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

3. Significant accounting policies *continued*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables. Provision is raised on a specific debtor as well as on a collective basis. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that a specific debtor balance is impaired. Impairment assessed at a collective level is based on past experience and data in relation to actual write-offs. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectable, it is written off against the allowance for trade receivables.

Subsequent recoveries of amounts previously written off are credited against profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities

The Authority initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Authority becomes a party to the contractual provisions of the instrument.

The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

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

The Authority has the following non-derivative financial liabilities: borrowings, bank overdraft and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Trade payables, provisions and other payables

Trade and other payables are stated at cost. A provision is recognised in the statement of financial position when the Authority has legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

3. Significant accounting policies *continued*

Borrowings

Interest-bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress, cost includes an appropriate share of construction overheads based on normal operating capacity. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

(e) Leased assets

Leases in terms of which the Authority assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

(f) Impairment

(i) Financial assets (including receivables)

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Authority on terms that the Authority would not consider otherwise, indicates that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

3. Significant accounting policies *continued*

(i) Financial assets (including receivables)

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

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

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Authority's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

(g) Employee benefits

Superannuation

Contributions are paid to the Fiji National Provident Fund on behalf of employees to secure retirement benefits. Costs are included in profit or loss.

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

3. Significant accounting policies *continued*

Short-term benefits

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

A liability is recognised for the amount to be paid under short-term benefits if the Authority has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

(h) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax, returns, rebates and discounts, and foreign exchange gains and losses arising on sales transactions. Revenue is recognised for the major business activities as follows:

Provision of services

Revenues from water sales are recognized at the time of service delivery based on actual or estimated water meter readings. Billings for water service are generally rendered on a quarterly basis. Subject to the Promulgation No 25 of 2007, the Board may fix the amount of rates including interests on unpaid rates, to be paid in respect of any service and any matter associated with the provision of services.

Government Grants

Unconditional government grant related operating expenses are recognised in profit or loss as income when the grant becomes receivable.

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

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(j) Finance income and finance costs

Finance income comprises interest income on short - term bank deposits and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

3. Significant accounting policies *continued*

Finance costs comprise interest expense on borrowings and changes in the fair value of financial liabilities at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(k) Income tax

(i) Current tax:

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability or asset to the extent that it is unpaid or refundable.

(ii) Deferred tax:

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect to temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary difference giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the assets and liabilities giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and asset reflects the tax consequences that would follow from the manner in which the Authority expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income tax levied by the same taxation authority and the Authority intends to settle its current tax assets and liabilities on a net basis.

(iii) Current and deferred tax for the period:

Current deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

3. Significant accounting policies *continued*

(iv) Value Added Tax (VAT)

Revenue, expenses, assets and liabilities are recognised net of the amount of Value Added Tax (VAT) except:

- (i) Where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) For trade receivables and trade payables which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(l) New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Authority.

4. Financial risk management

Overview

The Authority has exposure to the following risks:

- (i) Credit risk;
- (ii) Liquidity risk;
- (iii) Market risk; and
- (iv) Capital management.

This note presents information about the Authority's exposure to each of the above risks, the Authority's objectives, policies and processes for measuring and managing risk, and the Authority's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The executive management is responsible for managing the risks of the Authority on a daily basis. There are established policies and procedures for the key business to manage the risks and develop a strong control environment.

(i) Credit risk

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Authority's cash at bank and receivables.

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

4. Financial risk management *continued*

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

Trade and other receivables

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

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

The Authority does not require collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Authority has credit risk arising from credit exposure to customers, including outstanding receivables. The level of credit granted is regularly monitored.

The maximum exposure to credit risk at reporting date is as follows:

	2010
	\$
Cash at bank	3,747,168
Trade receivables	34,979,981
Other receivables excluding prepayments	1,255,661
	<u>39,982,810</u>

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

4. Financial risk management *continued*

The maximum exposure to credit risk for trade receivables at the reporting date by segment was:

	2010
	\$
Domestic	30,672,377
Commercial	2,365,417
Government	1,942,187
	<u>34,979,981</u>

The ageing of trade receivables at the reporting date was:

Current	> 1 year	> 2 years	> 3 years	> 4 years	Total
\$	\$	\$	\$	\$	\$
3,950,963	10,777,906	2,731,646	3,141,204	14,378,262	34,979,981

(ii) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

31 December 2010	Carrying amount \$	6 months or less \$	6-12 months \$	More than 1 year \$
<u>Financial assets</u>				
Cash and cash equivalents	2,747,168	2,747,168	-	-
Trade and other receivables	23,042,095	1,603,407	2,409,670	19,029,018
Other assets excluding prepayments	1,255,661	1,255,661	-	-
	<u>27,044,924</u>	<u>5,606,236</u>	<u>2,409,670</u>	<u>19,029,018</u>
<u>Financial liabilities</u>				
Bank overdraft	-	-	-	-
Borrowings	-	-	-	-
Trade and other payables	28,534,868	28,534,868	-	-
	<u>28,534,868</u>	<u>28,534,868</u>	<u>-</u>	<u>-</u>

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

4. Financial risk management *continued*

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Authority does not have any significant risks in these areas.

Price risk

The Authority does not have investments in equity securities and hence is not exposed to equity securities price risk.

Cash flow interest rate risk

As the Authority's interest bearing assets are small relative to its operations, its cash flows are substantially independent of changes in market interest rates.

The Authority's interest bearing borrowings are in the form of bank overdraft and a long-term borrowing from a related party. The related party borrowing is at a fixed interest rate and fluctuations in the overdraft interest rate are not large.

Given the fixed nature of interest rates described above, the Authority has a high level of certainty over the impact on cash flows arising from interest income and expenses. Accordingly the Authority does not require simulations to be performed over impact on net profits arising from changes in interest rates.

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

	2010 \$
5. Revenue	
Water charges	22,815,008
Sewerage charges	2,410,798
Government subsidies and grants	38,137,921
	<u>63,363,727</u>
6. Other income	
Gain on sale of fixed assets	3,566
Other income	1,008,972
	<u>1,012,538</u>
7. Operating expenses	
Chemical usage	1,453,296
Doubtful debts	12,000,000
Water and electricity	13,577,424
Fuel and oil	1,162,437
Plant and equipment hire	3,157,139
Professional fees	240,000
Repairs and maintenance	7,310,922
Telephone and communication	253,059
Others	5,796,813
	<u>44,951,090</u>
8. Personnel expenses	
Salaries and wages	15,976,073
Annual leave	569,256
Fiji National Provident Fund	1,276,475
Staff welfare	167,263
	<u>17,989,067</u>
The number of employees during the year was:	<u>1,350</u>
9. Finance income and expenses	
<u>Finance income</u>	
Other income	
Interest income on short-term bank deposits	37,535
	<u>37,535</u>

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

2010
\$

10(a) Income Tax Expense

The prima facie income tax on the pre-tax profit reconciles to the income tax refundable as follows:

Loss before income tax	(83,171,968)
Prima facie income tax refundable at 28%	(23,288,151)
Tax effect of amount which are not deductible (taxable) in calculating taxable income:	
- Employee taxation scheme	-
Temporary difference brought to account	2,401,538
Reversal of tax losses carried forward	23,288,151
Income tax expense attributable to profit	<u>(2,401,538)</u>

(b) Deferred Tax Liability

The deferred tax liability consists of the following at future tax rates:

Temporary difference on depreciation for accounting and tax Purposes	(2,401,538)
	<u>(2,401,538)</u>

(c) Income tax expense comprises movements in:

Deferred tax liability	(2,401,538)
Income tax recoverable	-
Deferred tax deductible	<u>(2,401,538)</u>
	<u>-</u>

(d) Deferred tax asset not brought to account:

Allowance for uncollectable debts	3,360,000
Provision for employee benefits	159,392
Tax losses	23,288,151
	<u>26,807,543</u>

The deferred tax asset which has not been recognised as an asset will only be realised if:

- (i) The Authority has sufficient taxable temporary differences which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire;
- (ii) Whether it is probable that the Authority will have taxable profits before the unused tax losses or unused tax credits expire; and
- (iii) Whether the unused tax losses result from identifiable causes which are unlikely to reoccur.

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

2010
\$

11. Cash and cash equivalents

Cash at bank	2,745,276
Cash on hand	1,892
	<u>2,747, 168</u>

The Authority has a letter of credit against \$1m cash at bank which is restricted for operational.

12. Trade and other receivables

Trade receivables	34,979,981
Allowance for uncollectability	(12,000,000)
	<u>22,979,981</u>
Other receivables	62,114
Current tax asset	-
	<u>23,042,095</u>

The fair value of the above balances equals their carrying amount due to their short-term nature.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any collateral as security.

13. Inventories

Spare parts and tools	<u>1,323,234</u>
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Notes to the Financial Statements *continued*

for the year ended 31 December 2010

	Land and Buildings \$	Water and Distribution Equipment \$	Sewerage Equipment \$	Motor Vehicles \$	Office Equipment \$	Office Computers \$	Furniture and Fittings \$	Work in Progress \$	Total \$
4. Property, plant and equipment									
Cost									
Balance as at 1 January 2010	22,032,980	1,327,607,217	539,055,778	-	198,233	15,400	-	-	1,888,909,608
Additions	88,166	63,490	-	-	167,058	799,660	93,581	28,148,610	29,360,565
Disposals	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2010	22,121,146	1,327,670,707	539,055,778	-	365,291	815,060	93,581	28,148,610	1,918,270,173
Depreciation									
Balance as at 1 January 2010	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	551,214	65,746,095	19,317,138	-	30,209	114,154	4,661	-	85,763,471
Disposals	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2010	551,214	65,746,095	19,317,138	-	30,209	114,154	4,661	-	85,763,471
At 1 January 2010	22,032,980	1,327,607,217	539,055,778	-	198,233	15,400	-	-	1,888,909,608
At 31 December 2010	21,569,932	1,261,924,612	519,738,640	-	335,082	700,906	88,920	28,148,610	1,832,506,702

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

2010
\$

15. Financial Assets

Held-to-maturity investments

Current

Term Deposit	1,000,000
	<u>1,000,000</u>

Term deposit held with Westpac Banking Corporation Limited has a term of 365 days with interest rate of 3.25% per annum.

16. Other Assets and Prepayments

VAT refundable	1,247,624
Prepayments	1,666,908
Other assets	8,037
	<u>2,922,569</u>

17. Trade and other payables

Trade payables	4,369,626
Other payables and accruals	24,165,242
	<u>28,534,868</u>

18. Deferred revenue

Opening balance as at 1 January	-
Grant received from Government	38,537,141
Less transfer to income statement	-
Closing balance as at 31 December	<u>38,537,141</u>

All Government grants were used to fund the Authority's capital works. Annual depreciation is charged directly to the property, plant and equipment costs and a corresponding transfer from government grant to income is made each year to provide for amortization of the grant.

19. Employee benefits

Annual leave	<u>569,256</u>
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Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

20. Contingencies

The directors are not aware of any contingent asset or contingent liabilities as at balance date.

21. Commitments

(a) Capital expenditure

Total capital commitments as at balance date was \$10,388,531.

(b) Operating leases

Operating lease commitments

Details of the Authority's operating lease commitments are as follows:

- i) In May 2010, the Water Authority of Fiji entered into a lease agreement with the Nivis Motors Limited to lease 15 vehicles. The lease is for a term of 4 years ending on 21 May 2014. Under the agreement, rent is payable at the rate of \$1,502 per month for each vehicle.
- ii) In March 2010, the Water Authority of Fiji entered into a lease agreement with the Public Employees Union to lease 2 vehicles. The lease is for a term of 1 year ending on 8 March 2011. Under the agreement, rent is payable at the rate of \$1,333 per month for each vehicle.
- iii) In March 2010, the Water Authority of Fiji entered into a lease agreement with the Public Employees Union to lease 1 vehicle. The lease is for a term of 1 year ending on 14 March 2011. Under the agreement, rent is payable at the rate of \$800 per month for each vehicle.
- iv) In February 2010, the Water Authority of Fiji entered into a lease agreement with the Public Employees Union to lease 2 vehicles. The lease is for a term of 1 year ending on 9 February 2011. Under the agreement, rent is payable at the rate of \$1,778 per month for each vehicle.
- v) In June 2010, the Water Authority of Fiji entered into a lease agreement with the Yenkanna Investment Limited to lease 2 vehicles. The lease is for a term of 3 years ending on 28 June 2013. Under the agreement, rent is payable at the rate of \$1,333 per month for each vehicle.

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

21. Commitments *continued*

- vi) In July 2010, the Water Authority of Fiji entered into a lease agreement with the Yenkanna Investment Limited to lease 2 vehicles. The lease is for a term of 3 years ending on 28 July 2013. Under the agreement, rent is payable at the rate of \$1,333 per month for each vehicle.
- vii) In October 2010, the Water Authority of Fiji entered into a lease agreement with the Yenkanna Investment Limited to lease 2 vehicles. The lease is for a term of 2 years ending on 18 October 2012. Under the agreement, rent is payable at the rate of \$2,900 per month for each vehicle.
- viii) In September 2010, the Water Authority of Fiji entered into a lease agreement with the Yenkanna Investment Limited to lease 1 vehicle. The lease is for a term of 2 years ending on 11 September 2012. Under the agreement, rent is payable at the rate of \$2,900 per month for each vehicle.
- ix) In October 2010, the Water Authority of Fiji entered into a lease agreement with the Coretech Limited to lease 2 vehicles. The lease is for a term of 2 years ending on 28 August 2012. Under the agreement, rent is payable at the rate of \$2,000 per month for each vehicle.
- x) In February 2010, the Water Authority of Fiji entered into a lease agreement with the Coretech Limited to lease 2 vehicles. The lease is for a term of 2 years ending on 9 February 2012. Under the agreement, rent is payable at the rate of \$2,000 per month for each vehicle.
- xi) In September 2010, the Water Authority of Fiji entered into a lease agreement with the Coretech Limited to lease 1 vehicle. The lease is for a term of 2 years ending on 30 September 2012. Under the agreement, rent is payable at the rate of \$2,000 per month for each vehicle.
- xii) In September 2010, the Water Authority of Fiji entered into a lease agreement with the Coretech Limited to lease 1 vehicle. The lease is for a term of 2 years ending on 30 September 2012. Under the agreement, rent is payable at the rate of \$2,000 per month for each vehicle.

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

21. Commitments *continued*

(b) Operating leases *continued*

- xiii) On December 2010, the Water Authority of Fiji entered into a lease agreement with the Coretech Limited to lease 1 vehicle. The lease is for a term of 2 years ending on 10 December 2012. Under the agreement, rent is payable at the rate of \$2,000 per month for each vehicle.
- xiv) On September 2010, the Water Authority of Fiji entered into a lease agreement with the Coretech Limited to lease 3 vehicles. The lease is for a term of 2 years ending on 31 October 2012. Under the agreement, rent is payable at the rate of \$2,000 per month for each vehicle.
- xv) On October 2010, the Water Authority of Fiji entered into a lease agreement with the Merchant Finance Limited to lease 10 vehicles. The lease is for a term of 2 years ending on 25 October 2012. Under the agreement, rent is payable at the rate of \$1,956 per month for each vehicle.
- xvi) On October 2010, the Water Authority of Fiji entered into a lease agreement with the Always Investment Limited to lease 1 vehicle. The lease is for a term of 2 years ending on 12 October 2012. Under the agreement, rent is payable at the rate of \$2,044 per month for each vehicle.

Operating lease commitments

Future operating lease rentals of the Authority's vehicles not provided for in the financial statements and payable:

	2010 \$
Not later than one year	461,500
Later than one year but not later than five years	1,220,802
Later than five years	-
	<hr/> 1,682,302 <hr/>

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

22. Related parties

(a) Directors

The following were directors of the Authority during the year:

Mr P.L. Munasinghe (Chairman)

Mr Umarji Musa

Mr Vijay P Maharaj

Ms Saipora Mataikabara

Mr Shaheen Ali

Ms Elizabeth Powell

Mr John Prasad

Directors' remuneration for services as employees is disclosed under Note 8.

(b) Parent authority and ultimate parent authority

The Authority is a statutory body constituted by Water Authority of Fiji Promulgation of 2007 and the transactions with the Government of Fiji during the year are as follows:

Grant received	76,675,062
Trade receivable	1,942,187
Trade payable	-
	<u>78,617,249</u>

Water Authority of Fiji

Notes to the Financial Statements *continued*

for the year ended 31 December 2010

22. Related parties *continued*

(c) Transactions with key management personnel

Key management personnel comprises of:

Mr Anthony Fullman (Chief Executive Officer)
 Mr Simon Suren (Chief Financial Officer)
 Mr Opetai Ravai (General Manager Customer Services)
 Mr Taito Delana (General Manager Production)
 Mr Timoci Turaga (General Manager Projects)

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

The aggregate remuneration and compensation paid to the key management personnel, for the year ended 31 December 2010 was:

	2010
	\$
Short-term employee benefits	363,728

23. Notes to statement of cash flows

Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the balance sheet as follows:

Cash at bank	2,745,276
Cash on hand	1,892
	<u>2,747,168</u>

24. Events subsequent to year end

Trade receivables write off

In September 2012 the Government of Fiji announced its intention to waive \$13.9 million of water bills owed to Water Authority of Fiji. The waiver applies to 25,529 accounts with the following breakdown: 22,345 Domestic, 1,855 Commercial, 375 Government and 954 Schools and Religious Organisations.

Apart from the above, no other 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.

Waila water treatment plant





Water Authority of Fiji

Financial Statements

for the year ended 31 December 2011

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Water Authority of Fiji

Directors' Report *continued*

for the year ended 31 December 2011

In accordance with a resolution of the board of directors, the directors herewith submit the statement of financial position of Water Authority of Fiji (the "Authority") as at 31 December 2011 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date. The Water Authority of Fiji was established 1 January 2010 as a commercial statutory authority in accordance with the Water Authority of Fiji Promulgation of 2007.

Directors

The names of directors in office at the date of this report and at any time during the financial year and up until the date the financial statements were authorised for issue are as follows:

Board member	Appointed	Resigned
Mr P.L. Munasinghe (Chairman)	09/03/2011	Current
Mr Umarji Musa	27/02/2009	Current
Mr Vijay P Maharaj	09/03/2011	Current
Ms Saipora Mataikabara	27/02/2009	23/04/2011
Ms Elizabeth Powell	20/10/2010	25/07/2014
Mr Shaheen Ali	13/03/2012	Current

State of affairs

In the opinion of the directors, the accompanying statements of financial position give a true and fair view of the state of affairs of the Authority as at 31 December 2011 and the accompanying statement of comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flows of the Authority for the year then ended.

Trading results

The net loss for the year after income tax expense amounted to \$78,870,546 (2010: \$86,691,366).

Dividends

The directors recommend that no dividends be declared or proposed for the year.

Principal activity

The principal activity of the Authority during the course of the financial year was to harvest, treat and reticulate water for supply to its customers and to establish, operate and maintain systems for the provision of water and waste water services.

Current assets

The directors took reasonable steps before the Authority's financial statements were prepared to ascertain that the current assets of the Authority were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

At the date of this report, the directors are not aware of any circumstances which would render the values attributable to the current assets in the financial statements to be misleading.

Water Authority of Fiji

Directors' Report *continued*

for the year ended 31 December 2011

Non-current assets

Upon establishment of the Authority, under the Water Authority of Fiji Promulgation 2007 ("the Promulgation"), Property, plant and equipment were vested in the Authority under the Promulgation amounting to \$1,888,909,608. The valuation of these Property, plant and equipment was carried out in 2006 and this value became the 'deemed cost' to the Authority as at 1 January 2010.

The Authority has not subsequently carried out an independent valuation of the Property, plant and equipment as it is the Directors view that the costs associated with such an exercise would outweigh the benefits to be achieved. Hence in the opinion of the Directors the deemed cost of Property, plant and equipment is considered an appropriate measure.

Revenue recognition

In respect of the qualification raised by the Office of the Auditor General in respect of the revenue recognition by the Authority, it is the Directors view that the Authority is in compliance with the revenue recognition criteria as per the International Accounting Standard (IAS) 18 "Revenue".

The Authority principle operating activity is the catchment, treatment and sale of water to the public and including the treatment of sewerage. Accordingly, it is the Directors view that revenue relating to the above activities is correctly brought to account in the Authority's account as required by IAS 18.

Receivables

The directors took reasonable steps before the Authority's financial statements were made out to ascertain that all known bad debts were written off and adequate allowance was made for impairment losses.

At the date of this report, the directors are not aware of any circumstances which would render the above assessment inadequate to any substantial extent.

Related party transactions

All related party transactions have been adequately recorded in the financial statements.

Events subsequent to balance date

In September 2012, the Government of Fiji announced its intention to waive \$13.9m of water bills owed to Water Authority of Fiji. The waiver applies to 25,529 accounts with the following breakdown: 22,345 Domestic, 1,855 Commercial, 375 Government and 954 Schools and Religious Organisations.

Apart from the above, no other 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

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amounts stated in the accounts to be misleading.

Water Authority of Fiji

Directors' Report *continued*

for the year ended 31 December 2011

Unusual circumstances

The results of the Authority's operations during the financial year have not in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

Directors' interests

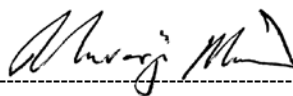
No Director of the Authority has, since the end of the financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors shown in the Authority's financial statements) by reason of a contract made with the Authority or a related corporation with the director or with a firm of which he or she is a member, or in a Authority in which he or she has a substantial financial interest.

Dated at Suva this 29th day of December 2014.

Signed in accordance with a resolution of the Directors.



Director _____



Director _____

Water Authority of Fiji

Statement by Directors


for the year ended 31 December 2011

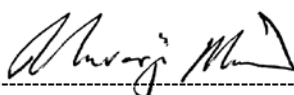
In the opinion of the Directors of Water Authority of Fiji:

- (a) the accompanying statement of comprehensive income of the Authority is drawn up so as to give a true and fair view of the results of the Authority for the year ended 31 December 2011;
- (b) the accompanying statement of changes in equity of the Authority is drawn up so as to give a true and fair view of the changes in equity of the Authority for the year ended 31 December 2011;
- (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 2011;
- (d) the accompanying statement of cash flows of the Authority is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 31 December 2011;
- (e) at the date of this statement there are reasonable grounds to believe the Authority will be able to pay its debts as and when they fall due; and
- (f) all related party transactions have been adequately recorded in the books of the Authority.

Dated at Suva this 29th day of December 2014.

Signed in accordance with a resolution of the Directors.

Director 

Director 

OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing



6-8TH Floor, Ratu Sukuna House
2-10 McArthur St
P.O.Box 2214, Government Buildings
Suva, Fiji



Telephone: (679) 330 9032
Fax: (679) 330 3812
Email: info@auditorgeneral.gov.fj
Website: <http://www.oag.gov.fj>



INDEPENDENT AUDIT REPORT

I have audited the accompanying financial statements of Water Authority of Fiji, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 12 to 30.

Directors and Management's Responsibility for the Financial Statements

Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the requirements of Section 20(7) of Water Authority of Fiji Promulgation 2007 and the Public Enterprise Act 1996. These responsibilities includes: designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I have 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 entity'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 entity'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 audit opinion.

Basis of Qualified Audit Opinion

1. Included in financial statements as Revenue (Note 5) are water and sewerage charges of \$28,191,062 and Trade Receivables (Note 12) of water and sewerage charges of \$15,569,127 Receipts from these charges are Government revenue which is directly deposited in the consolidated bank account of the Government. International Accounting Standards (IAS) 18 has set two criteria which need to be met for revenue recognition. One of the criteria's requires that economic benefit associated with the item of revenue should flow to the entity. Thus, the Authority has not met the recognition criteria for recording these charges as revenue. Consequently, revenue and receivable are not fairly stated in the Statement of Comprehensive Income and Statement of Financial Position respectively.

Basis for Qualified Audit Opinion continued

2. The Authority has not maintained adequate and appropriate internal control over journal voucher system. The Authority made several adjustments in the general ledger through general journals in 2011. Supporting documents for these adjustments were not made available for review. Due to this deficiency in internal control over journal vouchers, I was unable to obtain sufficient and appropriate audit evidence regarding the accuracy of adjustments made in the Authority's general ledger. Accordingly, I am not able to confirm whether adjustments made in the Authority's general ledger through general journals were correct. Overall impact of these adjustments on the financial statements also could not be ascertained.
3. Opening balance of property, plant and equipment amounting to \$1,888,909,608 for the year ended 31 December 2010 was not subject to valuation at the time of the transfer to Water Authority of Fiji. The valuation of these assets was carried out in 2006. Consequently, I am not able to confirm the valuation of the opening balance of property, plant and equipment when it was transferred in 2010. As a result I am unable to ascertain if property, plant and equipment of \$1,763,139,004 is fairly stated in the Statement of Financial Position.
4. The Authority did not perform appropriate reconciliation of its inventory for the year ended 31 December 2011. I was also not able to substantiate the ending inventory through alternative audit procedures. Consequently, I am not able to ascertain if the inventories of \$22,299,412 is fairly stated.

Qualified Audit Opinion

In my opinion, except for the matters discussed in the basis of qualification paragraphs, the financial statements presents fairly, in accordance with the International Financial Reporting Standards and the Public Enterprise Act, the financial position of the Authority as at 31 December, 2011 and of the results of its operations and its cash flows for the year then ended.



Tevita Bolanavanua
AUDITOR GENERAL

Suva, Fiji
31 December, 2014



Water Authority of Fiji

Statement of Comprehensive Income

for the year ended 31 December 2011

	Notes	2011 \$	2010 \$
Revenue	5	66,515,446	63,363,727
Other income	6	634,094	1,012,538
Total Revenue		67,149,540	64,376,265
Personnel expenses	8	(17,166,364)	(17,989,067)
Operating expenses	7	(39,958,918)	(44,951,090)
Loss from operations before depreciation, finance income and income tax		10,024,258	1,436,108
Depreciation	14	(87,080,278)	(85,763,471)
Finance income	9	3,673	37,535
Loss before income tax		(77,052,347)	(84,289,828)
Income tax expense	10(a)	(1,818,199)	(2,401,538)
Loss for the year		(78,870,546)	(86,691,366)
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		(78,870,546)	(86,691,366)

The accompanying notes form an integral part of the statement of comprehensive income.

Water Authority of Fiji

Statement of Changes in equity

for the year ended 31 December 2011

	Contributed Equity \$	Accumulated Losses \$	Total \$
Balance at 1 January 2010	1,905,581,973	-	1,905,581,973
Transfer of water and sewerage bills collected to Government of Fiji Consolidated Fund Account	(25,391,642)	-	(25,391,642)
Total comprehensive income for the year:			
Loss for the year	-	(86,691,366)	(86,691,366)
Total other comprehensive income, net of tax	-	-	-
Balance at 31 December 2010	<u>1,880,190,331</u>	<u>(86,691,366)</u>	<u>1,793,498,965</u>
Balance at 1 January 2011	1,880,190,331	(86,691,366)	1,793,498,965
Transfer of water and sewerage bills collected to Government of Fiji Consolidated Fund Account	(20,178,637)	-	(20,178,637)
Total comprehensive income for the year:			
Loss for the year	-	(78,870,546)	(78,870,546)
Total other comprehensive income, net of tax	-	-	-
Balance at 31 December 2011	<u>1,860,011,694</u>	<u>(165,561,912)</u>	<u>1,694,449,782</u>

The accompanying notes form an integral part of the statement of changes in equity.


Water Authority of Fiji

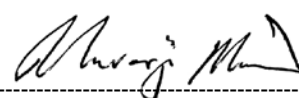
Statement of Financial Position

as at 31 December 2011

	Notes	2011 \$	2010 \$
Non-current assets			
Property, plant and equipment	14	1,763,139,003	1,832,506,702
Total non-current assets		<u>1,763,139,003</u>	<u>1,832,506,702</u>
Current assets			
Cash and cash equivalents	11	8,095,741	2,747,168
Trade and other receivables	12	16,454,52	24,289,719
Inventories	13	22,299,412	1,323,234
Held-to-maturity investments	15	1,000,000	1,000,000
Other assets and prepayments	16	290,477	1,674,945
Total current assets		<u>48,140,151</u>	<u>31,035,066</u>
Total assets		1,811,279,154	1,863,541,768
Equity			
Contributed equity		1,860,011,694	1,880,190,331
Accumulated losses		(165,561,912)	(86,691,366)
Total equity		<u>1,694,449,782</u>	<u>1,793,498,965</u>
Current liabilities			
Trade and other payables	17	1,300,418	13,382,810
Employee benefits	19	311,471	569,256
Total current liabilities		<u>1,611,889</u>	<u>13,952,066</u>
Non-current liabilities			
Deferred revenue - capex grant	18a	77,825,814	38,537,141
Deferred revenue - ADB grant	18b	34,361,338	15,152,058
Deferred tax liability	10(b)	3,030,331	2,401,538
Total non-current liabilities		<u>115,217,483</u>	<u>56,090,737</u>
Total liabilities		<u>116,829,372</u>	<u>70,042,803</u>
Total equity and liabilities		1,811,279,154	1,863,541,768

Signed for and on behalf of the Board of Directors.

Director 

Director 

The accompanying notes form an integral part of the Statement of financial position.

Water Authority of Fiji

Statement of Cash Flows

for the year ended 31 December 2011

	Notes	2011 \$	2010 \$
Operating activities			
Receipts from customers		20,178,637	25,391,642
Receipt from Government - operating grant		38,324,384	38,137,921
Payment to suppliers and employees		(73,995,939)	(43,604,864)
Payment to Government - Consolidated Fund Account		(20,178,637)	(25,391,642)
Net cash flow used in operating activities		(35,671,555)	(5,466,943)
Investing activities			
Receipt from Government - capital grant		59,062,357	38,537,141
Payments for property, plant and equipment		(18,045,902)	(29,360,565)
Payments for term deposits		-	(1,000,000)
Net cash outflow provided by investing activities		41,016,455	8,176,576
Financing activities			
Proceeds from interest income		3,673	37,535
Net cash outflow provided by financing activities		3,673	37,535
Net increase in cash and cash equivalents		5,348,573	2,747,168
Cash and cash equivalents as at 1 January		2,747,168	-
Cash and cash equivalents as at 31 December	23	8,095,741	2,747,168

The accompanying notes form an integral part of the Statement of cash flows.

Water Authority of Fiji

Notes to and forming part of the Financial Statements

for the year ended 31 December 2011

1 Reporting Entity

Water Authority of Fiji (the "Authority") is a corporate body with perpetual succession and a common seal established under the Water Authority of Fiji Promulgation 2007 in Fiji. The address of the Authority's registered office is Kings Road, Nasinu.

The principal activity of the Authority during the course of the financial year was to harvest, treat and reticulate water for supply to its customers and to establish, operate and maintain systems for the provision of water and waste water services. Other functions of the Authority are stated in section 7 of the Water Authority of Fiji Promulgation 2007.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and the requirements of the Water Authority of Fiji Promulgation 2007. The financial statements were approved by the Board of the Directors on 29 December 2014.

New standards and interpretations not yet adopted.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Authority.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis except where stated. The accounting policies have been consistently applied by the Authority.

(c) Functional and presentation currency

The financial statements are presented in Fiji dollars, which is the Authority's functional currency. All financial information presented in Fiji currency has been rounded to the nearest dollar.

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3(b) - Property, plant and equipment
- Note 3(c) - Financial instruments
- Note 3(f) - Impairment

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

3 Significant accounting policies

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Fiji dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Fiji dollars at the exchange rate at that date. The foreign currency gains or losses on translation are recognised in profit or loss.

(b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment inherited by the Authority from the Water and Sewerage Department prior to 1 January 2010 are measured at optimised replacement cost and additions thereafter are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Authority and its cost can be measured reliably. The cost of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Property, plant and equipment including leasehold land, building, furniture and fittings, plant & equipment and motor vehicles, but excluding freehold land is depreciated using the straight line method, at rates which will write off the costs of those assets over their expected useful lives. Leasehold land is amortised over the period of lease. The method of write off and the rates used are those considered appropriate to each class of asset.

The depreciation rates for each class of assets are as follows:

Buildings and improvements	1.25% - 2.5%
Water Distribution Equipment	1%- 5%
Sewerage Equipment	1%- 5%
Furniture and fittings	7% - 12%
Office Equipment	3% - 12%
Motor vehicles	20%
Computers	33%
Leasehold land	Over term of lease

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

Non-derivative financial assets of the Authority include trade and other receivables excluding prepayments.

Loans and receivables

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

Loans and receivables comprise trade and other receivables and other assets excluding prepayments.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables. Provision is raised on a specific debtor as well as on a collective basis. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that a specific debtor balance is impaired. Impairment assessed at a collective level is based on past experience and data in relation to actual write-offs. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectable, it is written off against the allowance for trade receivables.

Subsequent recoveries of amounts previously written off are credited against profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities

The Authority initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Authority becomes a party to the contractual provisions of the instrument.

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

(ii) **Non-derivative financial liabilities** *continued*

The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

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

The Authority has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Trade payables, provisions and other payables.

Trade and other payables are stated at cost. A provision is recognised in the statement of financial position when the Authority has legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(d) **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress, cost includes an appropriate share of construction overheads based on normal operating capacity. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

(e) **Leased assets**

Leases in terms of which the Authority assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

(f) **Impairment**

(i) Financial assets (including receivables)

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

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

(f) Impairment *continued*

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Authority on terms that the Authority would not consider otherwise, indicates that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

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

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

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Authority's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

(g) Employee benefits

Superannuation

Contributions are paid to the Fiji National Provident Fund on behalf of employees to secure retirement benefits. Costs are included in profit or loss.

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

(g) Employee benefits *continued*

Short-term benefits

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

A liability is recognised for the amount to be paid under short-term benefits if the Authority has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

(h) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax, returns, rebates and discounts, and foreign exchange gains and losses arising on sales transactions. Revenue is recognised for the major business activities as follows:

Provision of services

Revenues from water sales are recognized at the time of service delivery based on actual or estimated water meter readings. Billings for water service are generally rendered on a quarterly basis. Subject to the Promulgation No 25 of 2007, the Board may fix the amount of rates including interests on unpaid rates, to be paid in respect of any service and any matter associated with the provision of services.

Government Grants

Unconditional government grant related operating expenses are recognised in profit or loss as income when the grant becomes receivable.

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

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(j) Finance income and finance costs

Finance income comprises interest income on short - term bank deposits and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and changes in the fair value of financial liabilities at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(k) Income tax

Income tax expense comprises current deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

(i) Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability or asset to the extent that it is unpaid or refundable.

(ii) Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect to temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary difference giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the assets and liability giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and asset reflects the tax consequences that would follow from the manner in which the Authority expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income tax levied by the same taxation authority and the Authority intends to settle its current tax assets and liabilities on a net basis.

(iii) Current and deferred tax for the period:

Current deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(iv) Value Added Tax (VAT)

Revenue, expenses, assets and liabilities are recognised net of the amount of Value Added Tax (VAT) except:

- (i) Where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) For trade receivables and trade payables which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

4 Financial risk management

Overview

The Authority has exposure to the following risks:

- (i) Credit risk
- (ii) Liquidity risk;
- (iii) Market risk; and
- (iv) Capital management.

This note presents information about the Authority's exposure to each of the above risks, the Authority's objectives, policies and processes for measuring and managing risk, and the Authority's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The executive management is responsible for managing the risks of the Authority on a daily basis. There are established policies and procedures for the key business to manage the risks and develop a strong control environment.

(i) Credit risk

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Authority's cash at bank and receivables.

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

Trade and other receivables

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

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

The Authority does not require collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The maximum exposure to credit risk at reporting date is as follows:

	2011 \$	2010 \$
Cash at bank	8,095,741	2,747,168
Trade receivables	16,454,521	24,289,719
Other receivables excluding prepayments	11,604	8,037
	<u>24,561,866</u>	<u>27,044,924</u>

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

4 Financial risk management *continued*

(i) Credit risk *continued*

The maximum exposure to credit risk for trade receivables at the reporting date by segment was:

	2011 \$	2010 \$
Domestic	33,264,086	30,455,430
Commercial	2,517,705	2,517,705
Government	2,006,846	2,006,846
	<u>37,788,637</u>	<u>34,979,981</u>

The ageing of trade receivables at the reporting date was:

	Current \$	> 1 year \$	> 2 years \$	> 3 years \$	> 4 years \$	Total \$
2011	4,136,682	3,950,963	10,777,906	2,731,646	16,191,440	37,788,637
2010	3,950,963	10,777,906	2,731,646	3,141,204	14,378,262	34,979,981

(ii) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

31 December 2011	Carrying amount \$	6 months or less \$	6-12 months \$	More than 1 year \$
<u>Financial assets</u>				
Cash and cash equivalents	8,095,741	8,095,741	-	-
Trade and other receivables	16,454,521	90,833	2,808,796	13,554,892
Other assets excluding prepayments	11,605	11,605	-	-
	<u>24,561,867</u>	<u>8,198,179</u>	<u>2,808,796</u>	<u>13,554,892</u>
<u>Financial liabilities</u>				
Bank overdraft	-	-	-	-
Borrowings	-	-	-	-
Trade and other payables	1,300,418	867,932	432,486	-
	<u>1,300,418</u>	<u>867,932</u>	<u>432,486</u>	<u>-</u>

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

4 Financial risk management *continued*

(ii) Liquidity risk *continued*

	Carrying amount	6 months or less	6-12 months	More than 1 year
31 December 2010	\$	\$	\$	\$
<u>Financial assets</u>				
Cash and cash equivalents	2,747,168	2,747,168	-	-
Trade and other receivables	22,979,981	1,603,407	2,409,670	18,966,904
Other assets excluding prepayments	8,037	8,037	-	-
	<u>25,735,186</u>	<u>4,358,612</u>	<u>2,409,670</u>	<u>18,966,904</u>
<u>Financial liabilities</u>				
Bank overdraft	-	-	-	-
Borrowings	-	-	-	-
Trade and other payables	13,382,810	13,382,810		
	<u>13,382,810</u>	<u>13,382,810</u>		

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Authority does not have any significant risks in these areas.

Price risk

The Authority does not have investments in equity securities and hence is not expected to equity securities price risk.

Cash flow interest rate risk

As the Authority's interest bearing assets are small relative to its operations, its cash flows are substantially independent of changes in market interest rates.

(iv) Capital management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern in order to provide returns and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Authority monitors capital on the basis of the gearing ratio. The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011 \$	2010 \$
Total liabilities	116,829,372	70,042,803
Total assets	1,811,279,154	1,863,541,768
Gearing ratio	6.45%	3.76%

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

	2011 \$	2010 \$
5 Revenue		
Government grant	38,324,384	38,137,921
Water charges	25,694,458	22,815,008
Waste water charges	2,496,604	2,410,798
	<u>66,515,446</u>	<u>63,363,727</u>
6 Other income		
Gain on disposal of fixed assets	-	3,566
Transfer from deferred revenue	564,404	-
Other income	69,690	1,008,972
	<u>634,094</u>	<u>1,012,538</u>
7 Operating expenses		
Chemical usage	1,789,047	1,453,296
Doubtful debts	10,219,510	12,000,000
Directors fees	6,123	5,000
Water and electricity	18,113,443	13,577,424
Fuel and oil	1,549,843	1,162,437
Plant and equipment hire	1,465,472	3,157,139
Loss on disposal of fixed assets	337,282	-
Professional fees	127,809	240,000
Repairs and maintenance	4,611,041	7,310,922
Telephone and communication	641,435	253,059
Others	1,097,913	5,791,813
	<u>39,958,918</u>	<u>44,951,090</u>
8 Personnel expenses		
Salaries and wages	15,126,362	15,976,073
Annual leave	311,471	569,256
Fiji National Provident Fund	1,414,991	1,276,475
Staff welfare	313,540	167,263
	<u>17,166,364</u>	<u>17,989,067</u>
The number of employees during the year was:	<u>1,349</u>	<u>1,350</u>
9 Finance income and expenses		
<u>Finance income</u>		
Interest income on short-term bank deposits	3,673	37,535
	<u>3,673</u>	<u>37,535</u>

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

	2011 \$	2010 \$
10 (a) Income Tax Expense		
The prima facie income tax on the pre-tax profit reconciles to the income tax refundable as follows:		
Loss before income tax	(77,052,347)	(84,289,828)
Prima facie income tax refundable at 28%	(21,574,657)	(23,601,152)
Temporary difference brought to account	3,030,331	2,401,538
Reversal of tax losses carried forward	20,362,525	23,601,152
Effect of change in income tax rate	-	-
Income tax expense attributable to profit	<u>1,818,199</u>	<u>2,401,538</u>
(b) Deferred Tax Liabilities		
The deferred tax assets consist of the following at future tax rates:		
Temporary difference on depreciation for Accounting and Tax purposes	(3,030,331)	(2,401,538)
	<u>(3,030,331)</u>	<u>(2,401,538)</u>
Income tax expense comprises movements in:		
Deferred tax liabilities	3,030,331	2,401,538
Income tax payable	-	-
	<u>3,030,331</u>	<u>2,401,538</u>
(c) Deferred tax asset not brought to account:		
Allowances for uncollectable debts	4,443,902	3,360,000
Provisions for employee benefits	61,253	159,392
Tax losses	20,362,525	23,288,151
	<u>24,867,680</u>	<u>26,807,543</u>

The deferred tax asset which has not been recognised as an asset will only be realised if:

- the Authority has sufficient taxable temporary differences which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire;
- whether it is probable that the Authority will have taxable profits before the unused tax losses or unused tax credits expire; and
- whether the unused tax losses result from identifiable causes which are unlikely to recur.

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

	2011 \$	2010 \$
11 Cash and cash equivalents		
Cash at bank	8,093,903	2,745,276
Cash on hand	1,838	1,892
	<u>8,095,741</u>	<u>2,747,168</u>

The Authority has a letter of credit facility against the security of \$1m deposit at bank which is restricted for operational.

12 Trade and other receivables		
Trade receivables	37,788,637	34,979,981
Allowance for uncollectability	(22,219,510)	(12,000,000)
	<u>15,569,127</u>	<u>22,979,981</u>
VAT refundable	830,637	1,247,624
Other receivables	54,756	62,114
	<u>16,454,521</u>	<u>24,289,719</u>

The terms of trade for trade receivables are 31 days from the date of billing. Trade receivables that are more than 365 days past due are considered for impairment.

As at 31 December 2011, the amount of trade receivables impaired was \$22,219,510 (2010: \$12,000,000). The receivables are mainly customers who have defaulted in payments. It was assessed that a portion of the receivables are expected to be recovered.

Movements in the provision for impairment of trade receivables are as follows:

Balance as at 1 January	12,000,000	-
Arising during the year	11,243,029	12,000,000
Utilised during the year	(1,023,519)	-
Balance as at 31 December	<u>22,219,510</u>	<u>12,000,000</u>

The creation and releasing of provision for impaired receivables have been included in operating expenses in the statement of comprehensive income (note 7). Amounts charged to the allowance account are generally written off when there is no expectation of recovering the debt.

The fair value of the above balances equals their carrying amount due to their short-term nature.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any collateral as security.

13 Inventories		
Materials, spare parts and tools	<u>22,299,412</u>	<u>1,323,234</u>

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

14 Property, plant and equipment

Cost:	Land and Buildings	Water and Distribution Equipment	Sewerage Equipment	Motor Vehicles	Office Equipment	Office Computers	Furniture and Fittings	Work in Progress - Capex	Work in Progress - ADB	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 January 2010	22,032,980	1,327,607,217	539,055,778	-	198,233	15,400	-	-	-	1,888,909,608
<i>Changes in cost for 2010</i>										
Additions	88,166	63,490	-	-	167,058	799,660	93,581	554,831	15,593,779	29,360,565
Disposals	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2010	22,121,146	1,327,670,707	539,055,778	-	365,291	815,060	93,581	12,554,831	15,593,779	1,918,270,173
<i>Changes in cost for 2011</i>										
Additions	416,667	29,927	-	-	4,097	80,434	4,713	3,365,713	14,144,351	18,045,902
Disposals	-	(341,551)	-	-	-	-	-	-	-	(341,551)
Transfer	-	23,719,072	1,944,635	185,000	-	-	-	(12,554,831)	(13,293,876)	-
Reclassification	384,367,992	(69,407,784)	(314,960,208)	-	-	-	-	-	-	-
Balance as at 31 December 2011	406,905,805	1,281,670,371	226,040,205	185,000	369,388	895,494	98,294	3,365,713	16,444,254	935,974,524
Depreciation and impairment:										
Balance as at 1 January 2010	-	-	-	-	-	-	-	-	-	-
<i>Changes in depreciation for 2010</i>										
Depreciation charge for the year	551,214	65,746,095	19,317,138	-	30,209	114,154	4,661	-	-	85,763,471
Balance as at 1 December 2010	551,214	65,746,095	19,317,138	-	30,209	114,154	4,661	-	-	85,763,471
<i>Changes in depreciation for 2011</i>										
Depreciation charge for the year	23,467,155	56,590,289	6,602,856	18,500	91,754	298,472	11,252	-	-	87,080,278
Reclassification	11,054,044	(2,941,685)	(8,112,359)	-	-	-	-	-	-	-
Disposals	-	(8,228)	-	-	-	-	-	-	-	(8,228)
Balance as at 31 December 2011	35,072,413	119,386,471	17,807,635	18,500	121,963	412,626	15,913	-	-	172,835,521

Net book value

At 31 December 2010	21,569,932	1,261,924,612	519,738,640	-	335,082	700,906	88,920	12,554,831	15,593,779	1,832,506,702
At 31 December 2011	371,833,392	1,162,283,900	208,232,570	166,500	247,425	482,868	82,381	3,365,713	16,444,254	1,763,139,003

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

	2011 \$	2010 \$
15 Held-to-maturity investments		
<i>Current</i>		
Term Deposit	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

Term deposit held with Westpac Banking Corporation Limited has a term of 365 days with interest rate of 3.25% per annum (2010: 3.25% per annum).

16 Other Assets and Prepayments		
Prepayments	278,873	1,666,908
Other assets	11,604	8,037
	<u>290,477</u>	<u>1,674,945</u>
17 Trade and other payables		
Trade payables	867,932	4,369,626
Other payables and accruals	432,486	9,013,184
	<u>1,300,418</u>	<u>13,382,810</u>
18 Deferred revenue		
18 a Capex grant		
Opening balance as at 1 January	38,537,141	-
Grant received from Government	39,726,820	38,537,141
Less transfer to Statement of comprehensive income	(438,147)	-
Closing balance as at 31 December	<u>77,825,814</u>	<u>38,537,141</u>

All Government grants were used to fund the Authority's capital works. Annual depreciation is charged directly to the property, plant and equipment costs and a corresponding transfer from government grant to income is made each year to provide for amortization of the grant.

18 b ADB grant		
Opening balance as at 1 January	15,152,058	-
Grant paid by Government to ADB for original loan	12,069,451	15,152,058
Grant paid by Government to ADB for supplementary loan	7,266,086	-
Less transfer to income statement	(126,257)	-
Closing balance as at 31 December	<u>34,361,338</u>	<u>15,152,058</u>

Suva - Nausori regional water supply and sewerage project funded from Asian Development Bank original loan number 2055 - FIJ, dated 27 November 2003. The Project Management Unit at Water Authority of Fiji and Ministry of Public Utilities & Infrastructure Development implements the project, effecting payments through the Ministry of Finance and National Planning.

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

18b ADB grant *continued*

In 2009 Government of Fiji requested supplementary funding for Suva - Nausori regional water supply and sewerage project. The ADB on 23 November 2009 approved supplementary loan of US\$23 million through loan number 2603 - FIJ. The project completion date was from 30 June 2011 to 31 December 2013. The Project Management Unit at Water Authority of Fiji and Ministry of Public Utilities & Infrastructure Development implements the project, effecting payments through the Ministry of Finance and National Planning.

	2011 \$	2010 \$
19 Employee benefits		
Provision for annual leave	<u>311,471</u>	<u>569,256</u>

20 Contingencies

The directors are not aware of any contingent asset or contingent liabilities as at balance date.

21 Commitments

(a) Capital expenditure

Total capital commitments as at balance date is \$56,621,194 (2010: \$10,388,531) for capital projects.

(b) Operating leases

Operating lease commitments

Details of the Authority's operating lease commitments are as follows:

- i) In May 2010, the Water Authority of Fiji entered into a lease agreement with the Nivis Motors Limited to lease 15 vehicles. The lease is for a term of 4 years ending on 21 May 2014. Under the agreement, rent is payable at the rate of \$1,502 per month for each vehicle.
- ii) In March 2010, the Water Authority of Fiji entered into a lease agreement with the Public Employees Union to lease 2 vehicles. The lease is for a term of 1 year ending on 8 March 2011. Under the agreement, rent is payable at the rate of \$1,333 per month for each vehicle.
- iii) In March 2010, the Water Authority of Fiji entered into a lease agreement with the Public Employees Union to lease 1 vehicle. The lease is for a term of 1 year ending on 14 March 2011. Under the agreement, rent is payable at the rate of \$800 per month for each vehicle.
- iv) In February 2010, the Water Authority of Fiji entered into a lease agreement with the Public Employees Union to lease 2 vehicles. The lease is for a term of 1 year ending on 9 February 2011. Under the agreement, rent is payable at the rate of \$1,778 per month for each vehicle.

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

(b) Operating leases *continued*

- v) In June 2010, the Water Authority of Fiji entered into a lease agreement with the Yenkanna Investment Limited to lease 2 vehicles. The lease is for a term of 3 years ending on 28 June 2013. Under the agreement, rent is payable at the rate of \$1,333 per month for each vehicle.
- vi) In July 2010, the Water Authority of Fiji entered into a lease agreement with the Yenkanna Investment Limited to lease 2 vehicles. The lease is for a term of 3 years ending on 28 July 2013. Under the agreement, rent is payable at the rate of \$1,333 per month for each vehicle.
- vii) In October 2010, the Water Authority of Fiji entered into a lease agreement with the Yenkanna Investment Limited to lease 2 vehicles. The lease is for a term of 2 years ending on 18 October 2012. Under the agreement, rent is payable at the rate of \$2,900 per month for each vehicle.
- viii) In September 2010, the Water Authority of Fiji entered into a lease agreement with the Yenkanna Investment Limited to lease 1 vehicle. The lease is for a term of 2 years ending on 11 September 2012. Under the agreement, rent is payable at the rate of \$2,900 per month for each vehicle.
- ix) In October 2010, the Water Authority of Fiji entered into a lease agreement with the Coretech Limited to lease 2 vehicles. The lease is for a term of 2 years ending on 28 August 2012. Under the agreement, rent is payable at the rate of \$2,000 per month for each vehicle.
- x) In February 2010, the Water Authority of Fiji entered into a lease agreement with the Coretech Limited to lease 2 vehicles. The lease is for a term of 2 years ending on 9 February 2012. Under the agreement, rent is payable at the rate of \$2,000 per month for each vehicle.
- xi) In September 2010, the Water Authority of Fiji entered into a lease agreement with the Coretech Limited to lease 1 vehicle. The lease is for a term of 2 years ending on 30 September 2012. Under the agreement, rent is payable at the rate of \$2,000 per month for each vehicle.
- xii) In September 2010, the Water Authority of Fiji entered into a lease agreement with the Coretech Limited to lease 1 vehicle. The lease is for a term of 2 years ending on 30 September 2012. Under the agreement, rent is payable at the rate of \$2,000 per month for each vehicle.
- xiii) On December 2010, the Water Authority of Fiji entered into a lease agreement with the Coretech Limited to lease 1 vehicle. The lease is for a term of 2 years ending on 10 December 2012. Under the agreement, rent is payable at the rate of \$2,000 per month for each vehicle.
- xiv) On September 2010, the Water Authority of Fiji entered into a lease agreement with the Coretech Limited to lease 3 vehicles. The lease is for a term of 2 years ending on 31 October 2012. Under the agreement, rent is payable at the rate of \$2,000 per month for each vehicle.
- xv) On October 2010, the Water Authority of Fiji entered into a lease agreement with the Merchant Finance Limited to lease 10 vehicles. The lease is for a term of 2 years ending on 25 October 2012. Under the agreement, rent is payable at the rate of \$1,956 per month for each vehicle.
- xvi) On October 2010, the Water Authority of Fiji entered into a lease agreement with the Always Investment Limited to lease 1 vehicle. The lease is for a term of 2 years ending on 12 October 2012. Under the agreement, rent is payable at the rate of \$2,044 per month for each vehicle.

Water Authority of Fiji

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

	2011 \$	2010 \$
Operating lease commitments		
Future operating lease rentals of the Authority's vehicles not provided for in the financial statements and payable:		
Within one year	978,137	461,500
Later than one year but not later than five years	242,665	1,220,802
	<u>1,220,802</u>	<u>1,682,302</u>

22 Related parties

The Authority has related party relationship with its directors, key management personnel and the Government of Fiji.

(a) Directors

The following were directors of the Authority during the year:

- Mr PL Munasinghe (Chairman) - *current*
- Mr Umarji Musa - *current*
- Mr Vijay P Maharaj - *current*
- Ms Saipora Mataikabara - *resigned on 24 April 2011*
- Ms Elizabeth Powell - *resigned on 25 July 2014*
- Mr Shaheen Ali - *current*

Directors' remuneration for services as employees is disclosed under Note 7.

(b) Parent authority and ultimate parent authority

The Authority is a statutory body constituted by Water Authority of Fiji Promulgation of 2007 and the transactions with the Government of Fiji during the year are as follows:

Grant received	78,051,204	76,675,062
Trade receivable	2,006,846	1,942,187
	<u>80,058,050</u>	<u>78,617,249</u>

(c) Transaction with key management personnel

Key management personnel comprises of:

- | | | |
|------|---|--|
| i. | Mr Anthony Fullman (Chief Executive Officer) | Resigned on 4 May 2011 |
| ii. | Mr Simon Suren (Chief Financial Officer) | Resigned on 30 June 2011 |
| iii. | Mr Opetai Ravai (General Manager Customer Services/Chief Executive Officer) | Acting CEO from 18 February 2011
Confirmed CEO on 1 July 2012 |
| iv. | Mr Taito Delana (General Manager Production) | Deceased 25 October 2012 |
| v. | Mr Timoci Turaga (General Manager Projects) | Resigned 30 September 2012 |

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2011

22 Related parties *continued*

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

The aggregate remuneration and compensation paid to key management personnel, for the year ended 31 December was:

	2011 \$	2010 \$
Short-term employee benefits	350,000	363,728

23 Notes to the Statement of cash flows

Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the balance sheet as follows:

Cash at bank	8,093,903	2,745,276
Cash on hand	1,838	1,892
	8,095,741	2,747,168

24 Events subsequent to year end

Trade receivables write-off

In September 2012, the Government of Fiji announced its intention to waive \$13.9m of water bills owed to Water Authority of Fiji. The waiver applies to 25,529 accounts with the following breakdown: 22,345 Domestic, 1,855 Commercial, 375 Government and 954 Schools and Religious Organisations.

Apart from the above, no other 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.

Vaturu Dam in Nadi





Water Authority of Fiji

Financial Statements

for the year ended 31 December 2012

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Water Authority of Fiji

Directors Report

for the year ended 31 December 2012

In accordance with a resolution of the board of directors, the directors herewith submit the statement of financial position of Water Authority of Fiji (the "Authority") as at 31 December 2012 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date. The Water Authority of Fiji was established 1 January 2010 as a commercial statutory authority in accordance with the Water Authority of Fiji Promulgation of 2007.

Directors

The names of directors in office at the date of this report and at any time during the financial year and up until the date the financial statements were authorised for issue are as follows:

Board member	Appointed	Resigned/Expired
Mr P.L Munasinghe (Chairman)	01/01/2015	Current
Mr Umalji Musa	01/03/2015	Current
Mr Vijay P Maharaj	01/01/2015	Current
Ms Elizabeth Powell	20/10/2010	25/10/2014
Mr Shaheen Ali	13/03/2015	Current
Mr Hemant Kumar	23/04/2015	Current
Mr Bhavesh K Patel	23/04/2015	Current
Commander Francis Kean	27/07/2014	Current

State of affairs

In the opinion of the directors, the accompanying statements of financial position give a true and fair view of the state of affairs of the Authority as at 31 December 2012 and the accompanying statement of comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flows of the Authority for the year then ended.

Trading results

The net loss for the year after income tax expense amounted to \$47,131,638 (2011: \$45,860,929).

Dividends

The directors recommend that no dividends be declared or proposed for the year.

Principal activity

The principal activity of the Authority during the course of the financial year was to harvest, treat and reticulate water for supply to its customers and to establish, operate and maintain systems for the provision of water and waste water services.

Current assets

The directors took reasonable steps before the Authority's financial statements were prepared to ascertain that the current assets of the Authority were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

At the date of this report, the directors are not aware of any circumstances which would render the values attributable to the current assets in the financial statements to be misleading.

Water Authority of Fiji

Directors Report *continued*

for the year ended 31 December 2012

Non-current assets

Upon establishment of the Authority, under the Water Authority of Fiji Promulgation 2007 ("the Promulgation"), Property, plant and equipment were vested in the Authority under the Promulgation amounting to \$1,888,909,608. The valuation of these Property, plant and equipment was carried out in 2006 and this value became the 'deemed cost' to the Authority as at 1 January 2010.

The Authority has not subsequently carried out an independent valuation of the Property, plant and equipment as it is the Directors view that the costs associated with such an exercise would outweigh the benefits to be achieved. Hence in the opinion of the Directors, the deemed cost of Property, plant and equipment is considered an appropriate measure.

Revenue recognition

In respect of the qualification raised by the Office of the Auditor General in regards to the revenue recognition by the Authority, it is the Directors' view that the Authority is in compliance with the revenue recognition criteria as per the International Accounting Standard (IAS) 18 "Revenue".

The Authority principle operating activity is the catchment, treatment and sale of water to the public and including the treatment of sewerage. Accordingly, it is the Directors view that revenue relating to the above activities is correctly brought to account in the Authority's account as required by IAS 18.

Receivables

The directors took reasonable steps before the Authority's financial statements were made out to ascertain that all known bad debts were written off and adequate allowance was made for impairment losses.

At the date of this report, the directors are not aware of any circumstances which would render the above assessment inadequate to any substantial extent.

Related party transactions

All related party transactions have been adequately recorded in the financial statements.

Events subsequent to balance date

No other 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

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amounts stated in the accounts to be misleading.

Water Authority of Fiji

Directors Report *continued*

for the year ended 31 December 2012

Unusual circumstances


The results of the Authority's operations during the financial year have not in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

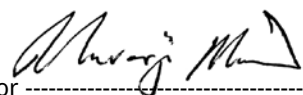
Directors' interests

No Director of the Authority has, since the end of the financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors shown in the Authority's financial statements) by reason of a contract made with the Authority or a related corporation with the director or with a firm of which he or she is a member, or in a Authority in which he/she has a substantial financial interest.

Dated at Suva this 9th day of October 2015.

Signed in accordance with a resolution of the Directors.

Director 

Director 

Water Authority of Fiji

Statement by Directors


for the year ended 31 December 2012

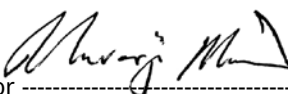
In the opinion of the Directors of Water Authority of Fiji:

- (a) the accompanying statement of comprehensive income of the Authority is drawn up so as to give a true and fair view of the results of the Authority for the year ended 31 December 2012;
- (b) the accompanying statement of changes in equity of the Authority is drawn up so as to give a true and fair view of the changes in equity of the Authority for the year ended 31 December 2012;
- (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 2012;
- (d) the accompanying statement of cash flows of the Authority is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 31 December 2012;
- (e) at the date of this statement there are reasonable grounds to believe the Authority will be able to pay its debts as and when they fall due; and
- (f) all related party transactions have been adequately recorded in the books of the Authority.

Dated at Suva this 9th day of October 2015.

Signed in accordance with a resolution of the Directors.

Director 

Director 

OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing



6-8TH Floor, Ratu Sukuna House
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Website: <http://www.oag.gov.fj>



WATER AUTHORITY OF FIJI

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

INDEPENDENT AUDIT REPORT

I have audited the accompanying financial statements of Water Authority of Fiji, which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on notes 1 to 25.

Directors and Management's Responsibility for the Financial Statements

Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the requirements of Section 20(7) of Water Authority of Fiji Promulgation 2007 and the Public Enterprise Act 1996. These responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I have 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 entity'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 entity'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 audit opinion.

Basis of Qualified Audit Opinion

1. Included in financial statements as Revenue (Note 5) are water and sewerage charges of \$28,446,766 and Trade Receivables (Note 12) of water and sewerage charges of \$9,800,838. Receipts from these charges are Government revenue which is directly deposited in the consolidated bank account of the Government. International Accounting Standards (IAS) 18 has set two criteria which need to be met for revenue recognition. One of the criteria's requires that economic benefit associated with the item of revenue should flow to the entity. Thus, the Authority has not met the recognition criteria for recording these charges as revenue. Consequently, revenue and receivable are not fairly stated in the Statement of Comprehensive Income and Statement of Financial Position respectively.

Basis for Qualified Audit Opinion (continued)

2. Opening balance of Property, Plant and Equipment amounting to \$1,888,909,608 for the year ended 31 December 2010 was not subject to valuation at the time of the transfer to Water Authority of Fiji. The valuation of these assets was carried out in 2006. Consequently, I am not able to confirm the valuation of the opening balance of property, plant and equipment when it was transferred in 2010. As a result I am unable to ascertain if property, plant and equipment of \$1,806,570,757 is fairly stated in the Statement of Financial Position.
3. The Authority did not perform appropriate reconciliation of its inventory and also did not provide Inventory stock take report for the year ended 31 December 2012. I was also not able to substantiate the ending inventory balance through alternative audit procedures. Consequently, I am not able to ascertain if the inventories of \$9,887,955 is fairly stated in the financial statements.

Qualified Audit Opinion

In my opinion, except for the matters discussed in the basis of qualification paragraphs, the financial statements presents fairly, in accordance with the International Financial Reporting Standards and the Public Enterprise Act, the financial position of the Authority as at 31 December, 2012 and of the results of its operations and its cash flows for the year then ended.



Atunaisa Nadakuitavuki
for AUDITOR GENERAL



Suva, Fiji
22 October, 2015

Water Authority of Fiji

Statement of Comprehensive Income

for the year ended 31 December 2012

	Notes	2012 \$	2011 Restated* \$
Revenue	5	74,012,676	66,515,446
Other income	6	11,593,540	634,094
Total Revenue		85,606,216	67, 149,540
Personnel expenses	8	(17,453,269)	(17,166,364)
Operating expenses	7	(60,713,614)	(39,958,918)
Profit from operations before depreciation, finance income and income tax		7,439,333	10,024,258
Depreciation		(54,626,099)	(54,070,661)
Finance income	9	55,128	3,673
Loss before income tax		(47,131,638)	(44,042,730)
Income tax expense	10(a)	-	(1,818,199)
Loss for the period		(47,131,638)	(45,860,929)
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive (loss) for the year		(47,131,638)	(45,860,929)

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 3(l).

The accompanying notes form an integral part of the statement of comprehensive income.

Water Authority of Fiji

Statement of Changes in Equity

for the year ended 31 December 2012 Restated*

	Contributed equity \$	Accumulated losses \$	Total \$
As at 1 January 2011	1,880,190,331	(52,606,526)	1,827,583,805
Loss for the period	-	(45,860,929)	(45,860,929)
Transfer of water and sewerage bills collected to Government of Fiji Consolidated Fund Account	(20,178,637)	-	(20,178,637)
Total comprehensive income	(20,178,637)	(45,860,929)	(66,039,566)
Total other comprehensive income, net of tax	-	-	-
At 31 December 2011	1,860,011,694	(98,467,455)	1,761,544,239
Loss for the period	-	(47,131,638)	(47,131,638)
Transfer of water and sewerage bills collected to Government of Fiji Consolidated Fund Account	(24,910,619)	-	(24,910,619)
Total comprehensive income	(24,910,619)	(47,131,638)	(72,042,257)
Total other comprehensive income, net of tax	-	-	-
At 31 December 2012	1,835,101,075	(145,599,093)	1,689,501,982

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 3(l).

The accompanying notes form an integral part of the statement of changes in equity.


Water Authority of Fiji

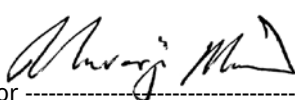
Statement of Financial Position

As at 31 December 2012

	Notes	2012 \$	2011 Restated* \$
Non-current assets			
Property, plant and equipment	14	1,806,570,757	1,811,036,470
In tangible asset	15	83,334	115,629
Total non-current assets		<u>1,806,654,091</u>	<u>1,811,152,099</u>
Current assets			
Cash and cash equivalents	11	13,082,585	8,095,741
Trade and other receivables	12	11,015,425	18,897,636
Inventories	13	9,887,955	39,904,532
Held-to-maturity investments	16	3,106,037	1,000,000
Other assets and prepayments	17	187,368	(750,988)
Total current assets		<u>37,279,370</u>	<u>67,146,921</u>
Total assets		<u>1,843,933,461</u>	<u>1,878,299,020</u>
Equity			
Contributed equity		1,835,101,075	1,860,011,694
Accumulated losses		(145,599,093)	(98,467,455)
Total equity		<u>1,689,501,982</u>	<u>1,761,544,239</u>
Current liabilities			
Trade and other payables	18	8,609,956	4,225,827
Provision for employee entitlements	21	633,520	311,471
Total current liabilities		<u>9,243,476</u>	<u>4,537,298</u>
Non-current liabilities			
Deferred revenue - capex grant	19	79,926,705	74,699,557
ADB funded grant	20	62,230,967	34,487,595
Deferred tax liability	10b	3,030,331	3,030,331
Total non-current liabilities		<u>145,188,003</u>	<u>112,217,483</u>
Total liabilities		<u>154,431,479</u>	<u>116,754,781</u>
Total equity and liabilities		<u>1,843,933,461</u>	<u>1,878,299,020</u>

Signed for and on behalf of the Board of Directors.

Director 

Director 

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 3(l).

The accompanying notes form an integral part of the Statement of financial position.

Water Authority of Fiji

Statement of Cash Flows

for the year ended 31 December 2012 Restated*

	Notes	2012 \$	2011 \$
Operating activities			
Receipts from customers		24,910,619	20,178,637
Receipt from Government - operating grant		45,565,910	38,324,384
Payment to suppliers and employees		(59,017,047)	(73,995,939)
Payment to Government - Consolidated Fund Account		(24,910,619)	(20,178,637)
Net cash flows from/(used in) operating activities		(13,451,137)	(35,671,555)
Investing activities			
Receipt from Government - capital grant		34,185,971	59,062,357
Receipt from rural entities - rural projects		303,488	-
Payments for property, plant and equipment		(14,000,569)	(18,045,902)
Payments for term deposits		(2,106,037)	-
Net cash flows from investing activities		18,382,853	41,016,455
Financing activities			
Proceeds from interest income		55,128	3,673
Net cash flows from financing activities		55,128	3,673
Net increase in cash and cash equivalents		4,986,844	5,348,573
Cash and cash equivalents at 1 January		8,095,741	2,747,168
Cash and cash equivalents at 31 December	25	13,082,585	8,095,741

The accompanying notes form an integral part of the Statement of cash flows.

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

1 Reporting Entity

Water Authority of Fiji (the "Authority") is a corporate body with perpetual succession and a common seal established under the Water Authority of Fiji Promulgation 2007 in Fiji. The address of the Authority's registered office is Kings Road, Nasinu.

The principal activity of the Authority during the course of the financial year was to harvest, treat and reticulate water for supply to its customers and to establish, operate and maintain systems for the provision of water and waste water services. Other functions of the Authority are stated in section 7 of the Water Authority of Fiji Promulgation 2007.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and the requirements of the Water Authority of Fiji Promulgation 2007. The financial statements were approved by the Board of the Directors on 09/10/2015.

New standards and interpretations not yet adopted.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Authority.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis except where stated. The accounting policies have been consistently applied by the Authority.

(c) Functional and presentation currency

The financial statements are presented in Fiji dollars, which is the Authority's functional currency. All financial information presented in Fiji currency has been rounded to the nearest dollar.

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 3(b) - Property, plant and equipment

Note 3(c) - Financial instruments

Note 3(t) - Impairment

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

3 Significant accounting policies

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Fiji dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Fiji dollars at the exchange rate at that date. The foreign currency gains or losses on translation are recognised in profit or loss.

(b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment inherited by the Authority from the Water and Sewerage Department prior to 1 January 2010 are measured at optimised replacement cost and additions thereafter are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will now to the Authority and its cost can be measured reliably. The cost of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Property, plant and equipment including leasehold land, building, furniture and fittings, plant & equipment and motor vehicles, but excluding freehold land is depreciated using the straight line method, at rates which will write off the costs of those assets over their expected useful lives. Leasehold land is amortised over the period of lease. The method of write off and the rates used are those considered appropriate to each class of asset.

The depreciation rates for each class of assets are as follows:

Buildings and improvements	1.25% - 2.5%
Water Distribution Equipment	1% - 5%
Sewerage Equipment	1% - 5%
Furniture and fittings	7% - 12%
Office Equipment	3% - 12%
Motor vehicles	20%
Computers	33%
Leasehold land	Over term of lease

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

3 Significant accounting policies *continued*

(b) Property, plant and equipment *continued*

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

Non-derivative financial assets of the Authority include trade and other receivables excluding prepayments.

Loans and receivables

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

Loans and receivables comprise trade and other receivables and other assets excluding prepayments.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables. Provision is raised on a specific debtor as well as on a collective basis. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that a specific debtor balance is impaired. Impairment assessed at a collective level is based on past experience and data in relation to actual write-offs. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectable, it is written off against the allowance for trade receivables.

Subsequent recoveries of amounts previously written off are credited against profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank overdrafts that are repayable demand and form an integral part of the Authority's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

3 Significant accounting policies *continued*

(c) Financial instruments *continued*

(ii) Non-derivative financial liabilities

The Authority initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Authority becomes a party to the contractual provisions of the instrument.

The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

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

The Authority has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Trade payables, provisions and other payables

Trade and other payables are stated at cost. A provision is recognised in the statement of financial position when the Authority has legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress, cost includes an appropriate share of construction overheads based on normal operating capacity. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

(e) Leased assets

Leases in terms of which the Authority assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

3 Significant accounting policies *continued*

(f) Impairment

(i) Financial assets (including receivables)

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Authority on terms that the Authority would not consider otherwise, indicates that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

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

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

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Authority's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

3 Significant accounting policies *continued*

(g) Employee benefits

Superannuation

Contributions are paid to the Fiji National Provident Fund on behalf of employees to secure retirement benefits. Costs are included in profit or loss.

Short-term benefits

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

A liability is recognised for the amount to be paid under short-term benefits if the Authority has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

(h) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax, returns, rebates and discounts, and foreign exchange gains and losses arising on sales transactions. Revenue is recognised for the major business activities as follows:

Provision of services

Revenues from water sales are recognized at the time of service delivery based on actual or estimated water meter readings. Billings for water service are generally rendered on a quarterly basis. Subject to the Promulgation No 25 of 2007, the Board may fix the amount of rates including interests all unpaid rates, to be paid in respect of any service and any matter associated with the provision of services.

Government Grants

Unconditional government grant related operating expenses are recognised in profit or loss as income when the grant becomes receivable.

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

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(j) Finance income and finance costs

Finance income comprises interest income on short - term bank deposits and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

3 Significant accounting policies *continued*

(j) Finance income and finance costs *continued*

Finance costs comprise interest expense on borrowings and changes in the fair value of financial liabilities at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(k) Income tax

Income tax expense comprises current deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability or asset to the extent that it is unpaid or refundable.

(ii) Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect to temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary difference giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the assets and liability giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and asset reflects the tax consequences that would follow from the manner in which the Authority expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income tax levied by the same taxation authority and the Authority intends to settle its current tax assets and liabilities on a net basis.

(iii) Current and deferred tax for the period:

Current deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(iv) Value Added Tax (VAT)

Revenue, expenses, assets and liabilities are recognised net of the amount of Value Added Tax (VAT) except:

- (i) Where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item or expense; or

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

3 Significant accounting policies *continued*

(iv) Value Added Tax (VAT) *continued*

(ii) For trade receivables and trade payables which are recognised inclusive of VAT.

The net amount of VAT recoverable From, or payable to, the taxation authority is included as part of receivables or payables.

(I) Change in accounting policy and disclosures

Prior year errors

The review of the fixed asset register revealed an overstatement of the 2011 depreciation expenses by \$33,009,618. The misstatement was due to the incorrect depreciation rates applied to the Land & building, water distribution equipment, sewage equipment, office equipment and office computers.

Further review of the general ledger accounts noted several accounts were materially misstated in the financial statements for the year ended 31 December 2011. The misstatements noted an increase in accumulated losses for the same period of \$34,084,840. The misstatements were noted in the balances of property, plant and equipments, deferred income - capex grant, trade and other payables; and prepayments and other assets.

The following table summarises the adjustments made to the statement of financial position on the adjustment of the prior year error:

	Balances at 31 December 2011, as previously reported \$	Impact of the adjustment \$	Restates balances at 31 December 2011 \$
Property plant and equipment, net	1,763,023,374	48,013,096	1,811,036,470
Trade and other receivables	16,454,520	2,443,116	18,897,636
Inventories	22,299,412	17,605,120	39,904,532
Other assets and prepayments	290,477	(1,041,465)	(750,988)
Trade and other payables	1,300,418	2,925,409	4,225,827
Deferred revenue - capex grant	77,699,557	(3,000,000)	74,699,557
Accumulated losses	165,561,913	(67,094,458)	98,467,455

The effects on the statement of comprehensive income were as follows:

	Balances at 31 December 2011, as previously reported \$	Impact of the adjustment \$	Restates balances at 31 December 2011 \$
Depreciation	87,080,279	(33,009,618)	54,070,661
Total comprehensive (loss) for the year	78,870,547	(33,009,618)	45,860,929

4 Financial risk management Overview

The Authority has exposure to the following risks:

(i) Credit risk

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

4 Financial risk management *continued*

Overview *continued*

- (ii) Liquidity risk;
- (iii) Market risk; and
- (iv) Capital management.

This note presents information about the Authority's exposure to each of the above risks, the Authority's objectives, policies and processes for measuring and managing risk, and the Authority's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The executive management is responsible for managing the risks of the Authority on a daily basis. There are established policies and procedures for the key business to manage the risks and develop a strong control environment.

(i) Credit risk

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Authority's cash at bank and receivables.

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

Trade and other receivables

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

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

The Authority does not require collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The maximum exposure to credit risk at reporting date is as follows:

	2012 \$	2011 \$
Cash at bank	13,082,585	8,095,741
Trade receivables	11,015,425	18,897,636
Other receivables excluding prepayments	11,263	(1,029,861)
	<u>24,109,273</u>	<u>25,963,516</u>

The maximum exposure to credit risk for trade receivables at the reporting date by segment was:

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

4 Financial risk management *continued*

(i) Credit risk *continued*

	2012 \$	2011 \$
Domestic	32,215,977	33,264,086
Commercial	4,532,732	2,517,705
Government	1,383,674	2,006,846
	<u>38,132,383</u>	<u>37,788,637</u>

The ageing of trade receivables at the reporting date was:

	Current \$	> 1 year \$	> 2 years \$	> 3 years \$	> 4 years \$	Total \$
2012	11,560,102	5,084,009	2,883,283	2,388,207	16,216,782	38,132,383
2011	4,136,682	3,950,963	10,777,906	2,731,646	16,191,440	37,788,637

(ii) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

31 December 2011	Carrying amount \$	6 months or less \$	6-12 months \$	More than 1 year \$
<u>Financial assets</u>				
Cash and cash equivalents	13,082,585	13,082,585	-	-
Trade and other receivables	11,015,425	2,016,269	7,759,022	1,240,134
Other assets excluding prepayments	11,263	11,263	-	-
	<u>24,109,273</u>	<u>15,110,117</u>	<u>7,759,022</u>	<u>1,240,134</u>
<u>Financial liabilities</u>				
Trade and other payables	8,609,956	3,837,152	4,772,804	-
	<u>8,609,956</u>	<u>3,837,152</u>	<u>4,772,804</u>	<u>-</u>
31 December 2011	\$	\$	\$	\$
<u>Financial assets</u>				
Cash and cash equivalents	8,095,741	8,095,741	-	-
Trade and other receivables	18,897,636	90,833	2,808,796	15,998,007
Other assets excluding prepayments	1,029,861	1,029,861	-	-
	<u>25,963,516</u>	<u>7,156,713</u>	<u>2,808,796</u>	<u>15,998,007</u>
<u>Financial liabilities</u>				
Trade and other payables	4,225,827	4,225,827	-	-
	<u>4,225,827</u>	<u>4,225,827</u>	<u>-</u>	<u>-</u>

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Authority does not have any significant risks in these areas.

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

4 Financial risk management *continued*

Price risk

The Authority does not have investments in equity securities and hence is not expected to equity securities price risk.

Cash flow interest rate risk

As the Authority's interest bearing assets are small relative to its operations, its cash flows are substantially independent of changes in market interest rates.

(iv) Capital management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern in order to provide returns and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Authority monitors capital on the basis of the gearing ratio. The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012 \$	2011 \$
Total liabilities	154,431,479	116,754,781
Total assets	1,843,933,461	1,878,299,020
Gearing ratio	8.38%	6.22%
5 Revenue		
Government grant	45,565,910	38,324,384
Water charges	25,824,079	25,694,458
Waste water charges	2,622,687	2,496,604
	<u>74,012,676</u>	<u>66,515,446</u>
6 Other income		
Transfer from deferred revenue	8,232,827	564,404
ADB Grant Flood 1 & 2 in 2012	3,099,221	-
Other income	261,492	69,690
	<u>11,593,540</u>	<u>634,094</u>
7 Operating expenses		
Chemical usage	2,855,121	1,789,047
Doubtful debts	6,112,036	10,219,510
Directors fees	8,696	6,123
Water and electricity	17,859,578	18,113,443
Fuel and oil	1,340,567	1,549,843
Plant and equipment hire	4,917,965	1,465,472
Loss on disposal of fixed assets	-	337,282
Professional fees	467,620	127,809
Repairs and maintenance	16,659,051	4,611,041
Telephone and communication	665,334	641,435
Others	9,827,646	1,097,913
	<u>60,713,614</u>	<u>39,958,918</u>

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

	2012 \$	2011 \$
8 Personnel expenses		
Salaries and wages	15,039,492	15,126,362
Annual leave	903,472	311,471
Fiji National Provident Fund	1,405,344	1,414,991
Staff welfare	104,961	313,540
	<u>17,453,269</u>	<u>17,166,364</u>
The number of employees during the year was:	<u>1,169</u>	<u>1,349</u>
9 Finance income and expenses		
<u>Finance income</u>		
Interest income on short-term bank deposits	55,128	3,673
	<u>55,128</u>	<u>3,673</u>
10 (a) Income Tax Expense		
The prima facie income tax on the pre-tax profit reconciles to the income tax refundable as follows:		
Loss before income tax	(47,131,638)	(44,042,730)
Prima facie income tax refundable at 28%	(13,196,859)	(12,331,964)
Temporary difference brought to account	-	3,030,331
Reversal of tax losses carried forward	13,196,859	11,119,832
Income tax expense attributable to profit	<u>-</u>	<u>1,818,199</u>
(b) Deferred Tax Liabilities		
The deferred tax assets consist of the following at future tax rates:		
Temporary difference on depreciation for Accounting and Tax purposes	(3,030,331)	(3,030,331)
	<u>(3,030,331)</u>	<u>(3,030,331)</u>
Income tax expense comprises movements in:		
Deferred tax liabilities	3,030,331	3,030,331
Income tax payable	-	-
	<u>3,030,331</u>	<u>3,030,331</u>
(c) Deferred tax asset not brought to account:		
Allowances for uncollectable debts	7,932,833	4,443,902
Provisions for employee benefits	90,174	61,253
Tax losses	35,933,116	20,362,525
	<u>43,956,123</u>	<u>24,867,680</u>

The deferred tax asset which has not been recognised as an asset will only be realised if:

- the Authority has sufficient taxable temporary differences which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire;
- whether it is probable that the Authority will have taxable profits before the unused tax losses or unused tax credits expire; and
- whether the unused tax losses result from identifiable causes which are unlikely to recur.

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

	2012 \$	2011 \$
11 Cash and cash equivalents		
Cash at bank	13,080,465	8,093,903
Cash on hand	2,120	1,838
	<u>13,082,585</u>	<u>8,095,741</u>

The Authority has a letter of credit facility against the security of \$1m deposit at bank which is restricted for operational.

12 Trade and other receivables		
Trade receivables	38,132,383	37,788,637
Allowance for uncollectability	(28,331,545)	(22,219,510)
	9,800,838	15,569,127
VAT (payable)/receivable	(32,368)	3,273,753
FEA receivable	1,240,134	-
Other receivables	6,821	54,756
	<u>11,015,425</u>	<u>18,897,636</u>

The terms of trade for trade receivables are 31 days from the date of billing. Trade receivables that are more than 365 days past due are considered for impairment.

As at 31 December 2012, the amount of trade receivables impaired was \$28,331,545 (2011: \$22,219,510). The receivables are mainly customers who have defaulted in payments. It was assessed that a portion of the receivables are expected to be recovered.

Movements in the provision for impairment of trade receivables are as follows:

	\$	\$
Balance as at 1 January	22,219,510	12,000,000
Movement during the year	6,112,035	10,219,510
Balance as at 31 December	<u>28,331,545</u>	<u>22,219,510</u>

The creation and releasing of provision for impaired receivables have been included in operating expenses in the statement of comprehensive income (note 7). Amounts charged to the allowance account are generally written off when there is no expectation of recovering the debt.

The fair value of the above balances equals their carrying amount due to their short-term nature.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any collateral as security.

	\$	\$
13 Inventories		
Spare parts and tools	<u>9,887,955</u>	<u>39,904,532</u>

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 December 2011

14 Property, plant and equipment

Cost	Land and Buildings	Water and Distribution Equipment	Sewerage Equipment	Motor Vehicles	Office Equipment	Office Computers	Furniture and Fittings	Work in Progress - Capex	Work in Progress - ADB	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At 1 January 2011	22,121,146	1,327,670,707	539,055,778	-	365,291	815,060	93,581	12,554,831	15,593,779	1,918,270,173
Additions	416,667	29,927	-	-	4,097	80,434	4,713	3,365,713	29,147,829	33,049,380
Disposals	-	(341,551)	-	-	-	-	-	-	-	(341,551)
Transfer	-	23,719,072	1,944,635	185,000	-	-	-	(12,554,831)	(13,293,876)	-
Reclassification	384,367,992	(69,407,784)	(314,960,208)	-	-	(226,656)	-	-	-	(226,656)
At 31 December 2011 (restated)	406,905,805	1,281,670,371	226,040,205	185,000	369,388	668,838	98,294	3,365,713	31,447,732	1,950,751,346
Additions	-	-	-	-	49,193	172,043	123,965	28,603,640	31,224,192	60,173,033
Disposals	-	(5,526,021)	(58,119)	-	-	(8,877)	-	(4,661,781)	-	(10,254,798)
Transfer	-	7,723,999	559,084	3,307,181	176,540	520,541	-	(8,980,164)	(3,307,181)	-
Reclassification	-	(44,138)	44,138	-	-	-	-	-	-	-
At 31 December 2012	406,905,805	1,283,824,211	226,585,308	3,492,181	595,121	1,352,545	222,259	18,327,408	59,364,743	2,000,669,581
Depreciation and impairment										
At 1 January 2011	551,214	65,746,095	19,317,138	-	30,209	114,154	4,661	-	-	85,763,471
Depreciation charge for the year	22,782,537	26,048,958	4,876,928	18,500	44,178	213,512	11,251	-	-	53,995,864
Reclassification	11,054,044	(2,941,685)	(8,112,359)	-	-	(36,231)	-	-	-	(36,231)
Disposals	-	(8,228)	-	-	-	-	-	-	-	(8,228)
At 31 December 2011 (restated)	34,387,795	88,845,140	16,081,707	18,500	74,387	291,435	15,912	-	-	139,714,876
Depreciation charge for the year	22,782,537	26,007,905	4,787,284	477,957	63,504	404,843	14,496	-	-	54,538,526
Reclassification	-	(86)	86	-	-	-	-	-	-	-
Disposals	-	(151,267)	(750)	-	-	(2,561)	-	-	-	(154,578)
At 31 December 2012	57,170,332	114,701,692	20,868,327	496,457	137,891	693,717	30,408	-	-	194,098,824
Net book value										
At 31 December 2011 (restated)	372,518,010	1,192,825,231	209,958,498	166,500	295,001	377,403	82,382	3,365,713	31,447,732	1,811,036,470
At 31 December 2012	349,735,473	1,169,122,519	205,716,981	2,995,724	457,230	658,828	191,851	18,327,408	59,364,743	1,806,570,757

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

15 Intangible asset

	\$
Cost	
At 1 January 2011	-
Reclassified from Property, plant and equipment	226,656
At 31 December 2011 (restated)	226,656
Additions	55,271
At 31 December 2012	281,927
Amortisation and impairment	
At 1 January 2011	-
Reclassified from Property, plant and equipment	111,027
At 31 December 2011 (restated)	111,027
Amortisation	87,566
At 31 December 2012	198,593
Net book value	
At 31 December 2012	83,334
At 31 December 2011 (restated)	115,629
At 31 December 2011	-

Intangible assets included are licences acquired previously by WAF for MapInfo system currently used by the Customer Service department, Sage 300 ERP and PayGlobal system used in Finance department and development costs for PUB system.

	2012 \$	2011 \$
16 Held-to-maturity investments		
Current		
Term Deposit	3,106,037	1,000,000
	<u>3,106,037</u>	<u>1,000,000</u>

Term deposit held with Westpac Banking Corporation has a term of 365 days with interest rate of 0.75% - 1% per annum (2011: 3.25% per annum).

	\$	\$
17 Other Assets and Prepayments		
Prepayments	176,105	278,873
Other assets	11,263	(1,029,861)
	<u>187,368</u>	<u>(750,988)</u>
18 Trade and other pay abies		
Trade payables	3,837,152	867,932
Other payables and accruals	4,772,804	3,357,895
	<u>8,609,956</u>	<u>4,225,827</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms; and
- Other payables are non-interest bearing and have an average term of 90 - 180 days.

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

	2012 \$	2011 \$
19 Deferred revenue - capital grant		
At 1 January	74,699,557	38,537,141
Grant accrued during the year	31,820,273	39,726,820
Transfer to ADB funded grant	(16,349,120)	-
Reversal of completed rural projects	(5,452,136)	-
Released to the income statement	(4,791,870)	(3,564,404)
At 31 December	<u>79,926,705</u>	<u>74,699,557</u>

All Government grants were used to fund the Authority's capital works. Annual depreciation is charged directly to the property, plant and equipment costs and a corresponding transfer from government grant to income is made each year to provide for amortization of the grant.

	\$	\$
20 ADB funded grant		
At 1 January	34,487,595	15,152,058
Grant received during the year (ADB original loan)	-	12,069,451
Grant received during the year (ADB supplementary loan)	11,835,210	7,266,086
Transfer from Deferred revenue - capital grant	16,349,120	-
Released to the income statement	(440,958)	-
At 31 December	<u>62,230,967</u>	<u>34,487,595</u>

Suva Nausori regional water supply and sewerage project funded from Asian Development Bank original loan number 2055 - FIJ dated 27 November 2003. The Project Management Unit at Water Authority of Fiji and Ministry of Public Utilities & Infrastructure Development implements the project, effecting payments through the Ministry of Finance and National Planning.

In 2009 Government of Fiji requested supplementary funding for Suva - Nausori regional water supply and sewerage project. The ADB on 23 November 2009 approved supplementary loan of US\$23 million through loan number 2603 - FIJ. The project completion date was from 30 June 2011 to 31 December 2013. The Project Management Unit at Water Authority of Fiji and Ministry of Public Utilities & Infrastructure Development implements the project, effecting payments through the Ministry of Finance and National Planning.

	2012 \$	2011 \$
21 Provision for Employee entitlement		
At 1 January	311,471	569,256
Movement during the year	322,049	257,785
At 31 December	<u>633,520</u>	<u>311,471</u>

During the year, employees of WAF were entitled to annual leave that is accrual of 15 days per annum after completion of 3 months probation for new staff.

22 Contingencies

The directors are not aware of any contingent asset or contingent liabilities as at balance date.

23 Commitments

(a) Capital expenditure

Total capital commitments as at balance date is \$34,135,778 (2011: \$34,545,058) for capital projects.

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

23 Commitments *continued*

(b) Operating leases

Future operating lease rentals of the Authority's vehicles not provided for in the financial statements and payable:

	2012 \$	2011 \$
Within one year	506,438	978,137
Later than one year but not later than five years	101,182	242,665
	<u>607,620</u>	<u>1,220,802</u>

24 Related parties

The Authority has related party relationship with its directors, key management personnel and the Government of Fiji.

(a) Directors

The following were directors of the Authority during the year:

- Mr PL Munasinghe (Chairman) - *term expired 31 December 2014*
- Mr Umarji Musa - *term expired 27 February 2015*
- Mr Vijay P Maharaj - *term expired 31 December 2014*
- Ms Elizabeth Powell - *resigned on 25 July 2014*
- Mr Shaheen Ali - *current*
- Commander Francis Kean - *current*

Directors' remuneration for services as employees is disclosed under Note 7.

(b) Parent authority and ultimate parent authority

The Authority is a statutory body constituted by Water Authority of Fiji Promulgation of 2007 and the transactions with the Government of Fiji during the year are as follows:

	\$	\$
Grant received	77,055,369	78,051,204
Water and waste water charges	1,383,674	2,006,846
	<u>78,439,043</u>	<u>80,058,050</u>

(c) Transaction with key management personnel

Key management personnel comprises of:

- i. Mr Opetai Rava (Chief Executive Officer/ General Manager Customer Service) Appointed on 30 June 2012
- ii. Mr Laxman Attanayake (Chief Operating Officer) Appointed on 15 October 2012
- iii. Mr Maikali Nakawakawavesi (Chief Financial Officer) Appointed on 27 January 2012
- iv. Mr Taito Delana (General Manager Production) Deceased 25 October 2012
- v. Mr Ilisoni Saladua (Acting General Manager Production) Appointed on 1 October 2012
- vi. Mr Timoci Turaga (General Manager Projects) Resigned on 30 September 2012
- vii. Mr Nemani Waqanivalu (Acting General Manager Projects) Appointed on 1 October 2012
- viii. Mr Vula Vakacegu (Acting General Manager Customer Service) Appointed on 1 July 2012

Water Authority of Fiji

Notes to and forming part of the Financial Statement *continued*

for the year ended 31 December 2012

24 Related parties *continued*

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

The aggregate remuneration and compensation paid to key management personnel, for the year ended 31 December was:

	2012 \$	2011 \$
Short-term employee benefits	461,021	350,000

25 Notes to the Statement of cash flows

Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the balance sheet as follows:

	\$	\$
Cash at bank	13,080,465	8,093,903
Cash on hand	2,120	1,838
	13,082,585	8,095,741

Matovo Treatment Plant





Clean Water for a Better Life.

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2010-2012