

Financial Statements of

BARBADOS WATER AUTHORITY

March 31, 2016



Barbados Water Authority

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Barbados Water Authority

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our 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, we consider 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of Barbados Water Authority (continued)

Auditors' Responsibility, continued

An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements. As of March 31, 2016, the Authority had an accumulated deficit of \$166,159,968. These factors, as set forth in Note 2, raise substantial doubt that the Authority will be able to continue as a going concern.

KPMG

Chartered Accountants
Bridgetown, Barbados
October 24, 2019

Barbados Water Authority

Statement of Financial Position

As at March 31, 2016
With comparative figures for 2015

(Expressed in Barbados dollars)

	Notes	2016	2015
Assets			
Plant, equipment and property	7	\$ 783,867,482	609,215,474
Less accumulated depreciation	7	(238,195,675)	(225,586,731)
Net plant, equipment and property		545,671,807	383,628,743
Other assets	11	481,623	468,475
Total non-current assets		546,153,430	384,097,218
Current assets			
Cash and cash equivalents	8	15,996,870	18,045,209
Customers' accounts receivable	9	19,585,343	16,434,616
Work in progress – private development		132,909	133,567
Inventories	10	7,139,302	7,165,384
Prepaid expenses		4,055,316	3,822,995
Other assets	11	28,355,098	27,139,291
Total current assets		75,264,838	72,741,062
Total Assets		\$ 621,418,268	456,838,280
Liabilities and Shareholder's Equity			
Current liabilities			
Bank overdraft	8	\$ 3,640,022	-
Accounts payable		30,423,670	31,651,251
Customers' deposits	12	4,629,473	4,642,450
Salaries and wages		541,425	108,070
Short-term loan		-	4,741,079
Other liabilities		3,848,497	3,528,075
Current portion of long-term loans	13	13,320,870	36,986,147
Total current liabilities		56,403,957	81,657,072
Long-term loans	13	203,345,468	127,155,725
Employee benefits	16	68,626,486	62,475,338
Total liabilities		328,375,911	271,288,135
Shareholder's equity			
Government contributions	20	395,484,635	298,266,718
Other comprehensive income		(6,936,276)	(4,270,568)
Deficit		(166,159,968)	(179,099,971)
Reserve re. Asset valuation		70,653,966	70,653,966
Total shareholder's equity		293,042,357	185,550,145
Commitments	21	-	-
Total Liabilities and Shareholder's Equity		\$ 621,418,268	456,838,280

See accompanying notes to the financial statements

Approved by the Board of Directors:


Chairman


Director

Barbados Water Authority

Statement of Changes in Equity

For the year ended March 31, 2016
With comparative figures for 2015

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>Government of Barbados</u>	<u>Deficit</u>	<u>Other Comprehensive Income</u>	<u>Fair Value Reserve</u>	<u>Total</u>
Balance at March 31, 2014		\$ 252,335,930	(187,212,952)	9,508,002	70,653,966	145,284,946
Contributions		45,930,788	-	-	-	45,930,788
Net income for the year		-	8,112,981	-	-	8,112,981
Re-measurement of defined benefits liability	16	-	-	(13,778,570)	-	(13,778,570)
Balance at March 31, 2015		298,266,718	(179,099,971)	(4,270,568)	70,653,966	185,550,145
Contributions		97,217,917	-	-	-	97,217,917
Net income for the year		-	12,940,003	-	-	12,940,003
Transfer to other comprehensive income	16	-	-	(2,665,708)	-	(2,665,708)
Balance at March 31, 2016		\$ <u>395,484,635</u>	<u>(166,159,968)</u>	<u>(6,936,276)</u>	<u>70,653,966</u>	<u>293,042,357</u>

See accompanying notes to the financial statements.

Barbados Water Authority

Statement of Comprehensive Income

For the year ended March 31, 2016
With comparative figures for 2015

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Operating Revenues:			
Sale of water		\$ 122,819,649	116,643,617
Private developments and plumbing (net)	14	(569,360)	(824,774)
Sewerage		<u>7,155,208</u>	<u>6,472,402</u>
Total operating revenues		<u>129,405,497</u>	<u>122,291,245</u>
Operating Expenses:			
Operations and maintenance		48,099,924	56,018,774
Commercial		4,107,155	3,991,436
Administrative		33,255,230	28,561,193
Sewerage		5,899,540	5,879,303
Depreciation	15	<u>13,265,649</u>	<u>12,347,957</u>
Total operating expenses		<u>104,627,498</u>	<u>106,798,663</u>
Operating income		24,777,999	15,492,582
Interest expense		(12,814,153)	(10,124,406)
Finance charges		(183,259)	(544,378)
Pension expense	16	(7,702,611)	(5,824,002)
Interest income		17,689	15,584
(Loss) gain on sale of property, plant and equipment		(162,225)	62,258
Miscellaneous revenue		<u>905,063</u>	<u>548,625</u>
		<u>(19,939,496)</u>	<u>(15,886,319)</u>
Income (loss) before government grant and corporation tax		4,838,503	(373,737)
Government grant	17	<u>8,101,500</u>	<u>8,486,718</u>
Income before corporation tax		12,940,003	8,112,981
Corporation tax	18	<u>-</u>	<u>-</u>
Net income for the year		<u>12,940,003</u>	<u>8,112,981</u>
Other comprehensive income			
Items that would never be classified to profit and loss:			
Re-measurement of employee benefit obligation	16	<u>(2,665,708)</u>	<u>(13,778,570)</u>
Total comprehensive income (loss)		\$ <u>10,274,295</u>	<u>(5,665,589)</u>

See accompanying notes to the financial statements.

Barbados Water Authority

Statement of Cash Flows

For the year ended March 31, 2016
With comparative figures for 2015

(Expressed in Barbados dollars)

	Notes	2016	2015
Cash Flows from Operating Activities			
Net income for the year		12,940,003	8,112,981
Adjustments for:			
Pension expense	16	7,702,611	5,824,002
Depreciation	7,15	13,265,649	12,347,957
Interest expense		12,814,153	10,124,406
Interest income		(17,689)	(15,584)
Gain on sale of plant and equipment		162,225	(62,258)
Assets written off		-	4,149,758
Operating income before working capital changes		46,866,952	40,481,262
(Increase) decrease in customers' accounts receivable		(3,150,727)	1,448,747
(Increase) decrease in prepaid expenses		(232,321)	2,991,489
Decrease in work-in-progress - private developments		658	55,942
Decrease (Increase) in inventories		26,082	(406,040)
Increase in other assets		(1,224,504)	(8,572,561)
(Decrease) increase in accounts payable		(1,227,581)	1,223,860
(Decrease) increase in customers' deposits		(12,977)	35,986
Increase (decrease) in salaries and wages liabilities		433,355	(408,672)
Decrease in other liabilities		(90,803)	(1,215,042)
Cash from operating activities		41,388,134	34,509,723
Employee benefits paid	16	(4,217,171)	(3,601,349)
Interest paid		(12,402,928)	(9,716,349)
Net cash from operating activities		24,768,035	21,192,025
Cash Flows from Investing Activities			
Additions to plant, equipment and property - net	7	(175,559,500)	(73,042,167)
Interest received		88,562	15,957
Proceeds from sale of property, plant and equipment		13,238	63,507
Net cash used in investing activities		(175,457,700)	(72,962,703)
Cash Flows from Financing Activities:			
Government contribution		97,217,917	45,930,788
Repayment of long-term loans	13	(38,441,607)	(8,701,928)
Repayment of short-term loans	13	(4,741,079)	(3,234,868)
Issuance of short-term loans	13	-	7,975,947
Issuance of long-term loans	13	90,966,073	19,539,464
Net cash from financing activities		145,001,304	61,509,403
(Decrease) increase in cash during the year		(5,688,361)	9,738,725
Cash and cash equivalents beginning of year		18,045,209	8,306,484
Cash and cash equivalents end of year		\$ 12,356,848	18,045,209
Cash and cash equivalents comprise:			
Cash on hand and at bank	8	\$ 10,173,936	16,998,147
Fixed deposits	8	5,822,934	1,047,062
Bank overdraft	8	(3,640,022)	-
		\$ 12,356,848	18,045,209

See accompanying notes to the financial statements.

Barbados Water Authority

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

1. Incorporation and Parent Company

Barbados Water Authority ("the Authority") was established by the Barbados Water Authority Act 1980-42 to take over the functions, rights and liabilities of the Waterworks Department on the "appointed day". The "appointed day" is regarded as April 1, 1981. The registered office of the Authority is located at The Pine, St. Michael.

The financial statements were approved for issuance by the Board of Directors on October 24, 2019.

2. Going Concern

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern" which assumes that the Authority will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

As at March 31, 2016, the Authority had an accumulated deficit of \$166,159,968 (2015: \$179,099,971) arising out of losses incurred over several years. The Authority's operating results and financial position raise significant doubt about its ability to continue its operations in the foreseeable future.

These financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate because management believes that the actions already taken or planned will mitigate the adverse conditions and events which raise doubt about the validity of the "going concern" assumption used in preparing these financial statements.

If the "going concern" assumption were not appropriate for these financial statements, then adjustments would be required to the carrying values of assets and liabilities and the reported revenue and expenses and the statement of financial position classifications used.

3. Basis of accounting

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB).

4. Functional and presentation currency

The financial statements are presented in Barbados dollars which is the Authority's functional currency.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

5. Use of judgements and estimates

In preparing the financial statements management has made judgements, estimates and assumptions that affect the application of the Authority's accounting policies and reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 16 – Employee Benefits

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment in the year ended March 31, 2016 is included in the following notes:

- Note 9 – Customers' Accounts Receivable

6. Significant Accounting Policies

(a) Statement of compliance

These financial statements are stated in Barbados dollars and are prepared in conformity with International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB). Significant accounting policies adopted by the Authority are as follows:

The Authority has consistently applied the accounting policies set out in Note 2 to all periods presented in these financial statements.

During the year, certain new standards, interpretations and amendments to the existing standards became effective. Management has assessed that these new standards, interpretations and amendments to the existing standards where relevant did not have any significant impact on the preparation of these financial statements. The application of these pronouncements has therefore not been reflected in these financial statements.

(b) Basis of measurement

The measurement basis used is historical cost accounting as modified by the accounting for investments as detailed in note 3(m).

(c) Functional and presentation currency

The financial statements are presented in Barbados dollars which is the Authority's functional currency.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

6. Significant Accounting Policies (continued)

(d) Inventories

Inventories are valued at the lower of cost and net realizable value. In general, cost is determined, on an average cost basis.

(e) Work-in-progress - private developments

Work-in-progress consists of materials and labour at cost plus recognised profit on contracts in progress.

(f) Recognition revenue – private developments

Revenue is recognised on the percentage of completion method of accounting. Under this method, the degree of completion is generally determined by comparing the costs incurred to date to the total cost anticipated for the entire contract.

(g) Property, Plant, and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The Authority revalued its fixed property, plant and equipment as at January 1, 2007 based on an asset valuation study conducted by PricewaterhouseCoopers and the revalued amounts became the "deemed" cost for depreciation purposes. Subsequent to January 1, 2007 property, plant and equipment are being depreciated on a straight line basis over the remaining useful life of the assets.

The Authority defines capital assets as assets with an initial, individual cost of more than \$500 and estimated useful life in excess of one year. Such assets are recorded at historical cost and software is capitalized when acquired.

Depreciation is provided on the straight-line basis at the following annual rates:

Water System	
Structures improvements and buildings	2% - 10%
Potable water distribution network	2% - 15%
Transportation equipment	6.66%
Computer equipment	25% -33%
Other	2% - 15%
Sewerage System	
Bridgetown Sewerage Treatment Plant	2% - 15%
South Coast Sewerage Treatment Plant	2% - 15%

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

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

6. Significant Accounting Policies (continued)

(h) Allowance for doubtful accounts

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 groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics.

(i) Taxation

Corporation tax in the statement of comprehensive income for the year comprises current and deferred tax. Corporation tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in shareholder's equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets and liabilities that affect neither the accounting nor taxable income. The amount of deferred tax provided is based on the expected manner of realisation of settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability within the legal unit and jurisdiction. The deferred tax asset arising from unused tax losses or tax credit is established to the extent that the Authority has sufficient taxable profit against which the unused tax losses or unused tax credit can be utilised by the Authority. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on the deferred tax of any changes in tax rates is charged to the statement of comprehensive income, except to the extent that it relates to items previously charged or credited to equity.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

6. Significant Accounting Policies (continued)

(j) *Employee benefits*

The Authority contributes to a defined benefit pension plan. The recognised amount in the statement of financial position is determined as the present value of the defined benefit obligation adjusted for the unrecognised actuarial gains or losses less any past service costs not yet recognised and the fair value of any plan assets. Where this calculation results in a net surplus, the recognised asset does not exceed the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The amount recognised in the Authority's statement of financial position and profit or loss for pension and other post-employment benefits are determined using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations. The discount rate is determined based on the estimate of yield on long-term government securities.

Pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations were conducted in accordance with IAS 19 – *Employee Benefits*, and the financial statements reflect the Authority's post-employment benefit assets and obligations as computed by the actuary. The amount charged to the statement of comprehensive income consists of current service cost, interest cost, the expected return on any plan assets and actuarial gains and losses (see note 16).

Employee benefits include current or short-term benefits such as salaries, NIS contributions paid, annual vacation, and non-monetary benefits such as sick leave; post-employment benefits such as pensions; other long-term employee benefits such group life pension and termination benefits. Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

(k) *Impairment of assets*

The recoverability of assets is based on factors such as future asset utilization, current market value, business climate and the future undiscounted cash flows expected to result from the use of the related assets. The Authority's policy is to record an impairment loss in the period when it is determined that the carrying amount of the assets will not be recoverable. At that time, the carrying amount is written down to fair market value of the service potential of the asset.

A cost impairment exercise was conducted and some of the Authority's critical assets are in need of significant rehabilitation and hence, the service potential as reflected by the rate of depreciation for the affected assets has been accelerated.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

6. Significant Accounting Policies (continued)

(l) *Investments*

Investments held-for-trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income. Where the Authority has the positive intent and ability to hold government bonds to maturity, they are stated at amortised cost less impairment losses. Other investments held by the Authority are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity.

The fair value of investments held-for-trading and investments available-for-sale is their quoted bid price at the statement of financial position date.

Investments held-for-trading and available-for-sale investments are recognised/derecognised by the Authority on the date it commits to purchase/sell the investments. Investments held-to-maturity are recognised/derecognised on the day they are transferred to/by the Authority.

As at the statement of financial position date, the Authority's investment portfolio comprised securities which were classified as held-to-maturity.

(m) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and fixed deposits with a maturity of less than three months. Bank overdraft that is repayable on demand and forms an integral part of the Authority's cash management is included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(n) *Interest*

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method.

(o) *Foreign currency transactions*

Foreign currency transactions completed during the year are recorded at actual rates of exchange prevailing at the dates of such transactions. Monetary assets and liabilities are translated into Barbados dollars at rates of exchange prevailing at the statement of financial position date. Resulting exchange differences are taken into income.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

6. Significant Accounting Policies (continued)

(p) Leases

i. Determining whether an arrangement contains a lease

At inception of an arrangement the Authority determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Authority separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Authority concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Authority's incremental borrowing rate.

ii. Leased assets

Leases of property, plant and equipment that transfer to the Authority substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Authority's statement of financial position.

iii. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(q) New standards and interpretations not yet adopted and effective

At the date of approval of the financial statements, there were certain standards and interpretations which were in use but not effective. The adoption of IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers* is expected to result in adjustments and additional disclosures to the financial statements. Management is currently in the process of evaluating the impact of adopting these

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

7. Plant, Equipment and Property

	WATER SYSTEM							SEWERAGE SYSTEM			CAPITAL WORK-IN-PROGRESS			Total
	Land & Land Rights	New Headquarters Finance Lease	Structures, Improvements and Building	Potable Water Distribution Network	Transportation Equipment	Computer Equipment	Operations and Maintenance Equipment	Projects	RSTP	SCIP	Water	Sewerage	Other	
Cost/Valuation														
Balance at April 1, 2014	\$ 8,243,005	-	12,958,032	325,584,313	9,396,880	5,104,705	3,930,950	3,901,705	68,355,265	961,512	4,749,347	16,379,349	61,309,902	540,874,965
Additions	-	-	318,932	1,872,037	388,333	126,596	131,341	-	45,046	38,452	12,662,149	3,577,073	53,682,208	73,042,167
Assets written off	-	-	-	-	-	-	-	-	-	-	-	-	(4,149,756)	(4,149,756)
Disposals/transfers	-	-	-	(4,388,253)	(551,900)	-	-	-	-	-	-	-	(4,388,253)	(551,900)
Balance at March 31, 2015	<u>8,243,005</u>	-	<u>13,276,964</u>	<u>331,824,603</u>	<u>9,233,313</u>	<u>5,231,301</u>	<u>4,062,291</u>	<u>3,901,705</u>	<u>68,400,311</u>	<u>999,964</u>	<u>17,411,496</u>	<u>19,956,422</u>	<u>106,674,099</u>	<u>609,215,474</u>
Balance at April 1, 2015	8,243,005	-	13,276,964	331,824,603	9,233,313	5,231,301	4,062,291	3,901,705	68,400,311	999,964	17,411,496	19,956,422	106,674,099	609,215,474
Additions	-	65,498,895	386,784	5,045,961	-	388,364	2,865,360	-	41,362	150,208	28,759,276	335,040	72,068,850	175,559,500
Assets written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals/transfers	-	(15,265,858)	-	-	(361,500)	(118,416)	(427,576)	-	-	-	-	-	(15,265,858)	(907,492)
Balance at March 31, 2016	<u>\$ 8,243,005</u>	<u>80,764,553</u>	<u>13,663,748</u>	<u>336,870,164</u>	<u>8,871,813</u>	<u>5,501,249</u>	<u>6,520,075</u>	<u>3,901,705</u>	<u>68,441,673</u>	<u>1,150,172</u>	<u>46,170,772</u>	<u>20,291,462</u>	<u>163,477,091</u>	<u>783,867,482</u>
Accumulated Depreciation														
Balance at April 1, 2014	\$ -	-	6,925,928	140,371,249	7,189,236	4,586,630	721,913	3,901,705	49,869,243	223,521	-	-	-	213,789,425
Charge for the year	-	-	839,058	7,401,657	237,759	194,254	324,691	-	3,483,172	67,386	-	-	-	12,347,957
Disposals/transfers	-	-	-	-	(550,651)	-	-	-	-	-	-	-	-	(550,651)
Balance at March 31, 2015	-	-	7,564,984	147,772,906	6,876,344	4,780,884	1,046,604	3,901,705	53,352,415	290,889	-	-	-	225,586,731
Balance at April 1, 2015	-	-	7,564,984	147,772,906	6,876,344	4,780,884	1,046,604	3,901,705	53,352,415	290,889	-	-	-	225,586,731
Charge for the year	-	841,298	607,382	7,147,907	212,127	243,155	441,769	-	3,699,924	72,087	-	-	-	13,265,649
Disposals/transfers	-	-	-	-	(352,665)	(118,416)	(185,624)	-	-	-	-	-	-	(656,705)
Balance at March 31, 2016	<u>\$ -</u>	<u>841,298</u>	<u>8,172,366</u>	<u>154,920,813</u>	<u>6,735,806</u>	<u>4,905,623</u>	<u>1,302,749</u>	<u>3,901,705</u>	<u>57,052,339</u>	<u>362,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,195,675</u>
Carrying Amounts														
At April 1, 2014	\$ 8,243,005	-	6,032,104	185,213,064	2,207,644	518,075	3,209,037	-	38,486,022	737,991	4,749,347	16,379,349	61,309,902	327,085,540
At March 31, 2015	<u>\$ 8,243,005</u>	<u>-</u>	<u>5,711,980</u>	<u>185,051,697</u>	<u>2,356,969</u>	<u>450,417</u>	<u>3,015,687</u>	<u>-</u>	<u>35,047,896</u>	<u>709,075</u>	<u>17,411,496</u>	<u>19,956,422</u>	<u>106,674,099</u>	<u>383,628,743</u>
At April 1, 2015	\$ 8,243,005	-	5,711,980	184,051,697	2,356,969	450,417	3,015,687	-	35,047,896	709,075	17,411,496	19,956,422	106,674,099	383,628,743
At March 31, 2016	<u>\$ 8,243,005</u>	<u>79,923,255</u>	<u>5,491,382</u>	<u>181,949,351</u>	<u>2,138,007</u>	<u>595,626</u>	<u>5,217,326</u>	<u>-</u>	<u>31,389,334</u>	<u>787,196</u>	<u>46,170,772</u>	<u>20,291,462</u>	<u>163,477,091</u>	<u>545,671,807</u>

The Authority revalued its land and buildings at several locations as at March 2007, based on an independent appraisal done at January 2007, by the firm PriceWaterhouseCoopers

The cost method was used in estimating the values, where having estimated the replacement cost, a deduction is made for accrued depreciation, from physical, functional and economic sources to calculate a cost less depreciation. The excess of the appraised value of the properties over the carrying value in the amount of \$70,653,966 has been recorded as revaluation reserves in owner's equity. Had the property been recorded at cost less accumulated depreciation and impairment losses, the net book value would have been \$516 million (2015 \$352 million)

A cost impairment exercise was conducted and it was observed that some of BWA's assets that are critical to providing a reliable service are in need of significant rehabilitation and as a result, the service potential as reflected by the remaining useful life has been significantly reduced.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

8. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	<u>2016</u>	<u>2015</u>
Bank overdraft	\$ <u>(3,640,022)</u>	<u>-</u>
Cash and bank balances	10,173,936	16,998,147
Term deposits	<u>5,822,934</u>	<u>1,047,062</u>
	<u>15,996,870</u>	<u>18,045,209</u>
	\$ <u>12,356,848</u>	<u>18,045,209</u>

Interest rates on the term deposits ranged from 0.8% to 1.5%.

9. Customers' Accounts Receivable

	<u>2016</u>	<u>2015</u>
Rates	\$ 47,154,111	38,847,539
Plumbing	8,374,850	8,445,288
Private developments	19,061,554	19,208,179
Septage	141,598	141,598
Sewerage	70,536	63,176
Miscellaneous	<u>6,312</u>	<u>6,297</u>
	<u>74,808,961</u>	<u>66,712,077</u>
Less: allowance for doubtful accounts	<u>(55,223,618)</u>	<u>(50,277,461)</u>
	\$ <u>19,585,343</u>	<u>16,434,616</u>

10. Inventories

This amount comprises:

	<u>2016</u>	<u>2015</u>
Materials and supplies	\$ 6,657,276	6,685,321
Sewage	319,299	319,299
Small tools and spare parts	<u>162,727</u>	<u>160,764</u>
	\$ <u>7,139,302</u>	<u>7,165,384</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

11. Other Assets

Other assets comprise:

	<u>2016</u>	<u>2015</u>
Advances to employees	\$ 816,688	709,730
Car/cycle loans	258,868	239,547
In-house loans	571,849	571,849
Interest receivable	16,105	11,654
Loan advances	8,116,090	13,956,137
Other	348,862	2,164,156
Payroll deductions receivables	161,582	44,840
VAT recoverable	<u>18,065,054</u>	<u>9,441,378</u>
	<u>\$ 28,355,098</u>	<u>27,139,291</u>
Car/cycle loans due after one year:		
Due within two to four years	\$ 457,804	404,691
Due within five to seven years	<u>23,819</u>	<u>63,784</u>
	<u>\$ 481,623</u>	<u>468,475</u>

12. Customers' Deposits

This amount comprises:

	<u>2016</u>	<u>2015</u>
Bonds deposits	\$ 69,674	69,674
Customers' deposits	4,517,678	4,530,655
MTW Special Deposit	<u>42,121</u>	<u>42,121</u>
	<u>\$ 4,629,473</u>	<u>4,642,450</u>

Customers are required to pay a deposit of \$350 or \$400 for the installation of a new service and private developers are required to pay 75% of an estimate of works as a deposit. In addition, private developers are required to take out a performance bond equal to 10% of the estimated value of works. This money is released on the condition that the Authority has not incurred any costs in repairing the mains installed.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

13. Loans Payable	a. Long-term Loans									
		150M Bond Issue	Citicorp Loan	First Citizens	IFL Pipelines Belle to Bussa	IFL Pipelines Forte George to Searies	IFL Pipelines Brittons Hill to Providence	New Headquarters Loan	Total 2016	Total 2015
Balance										
beginning of year	\$	106,490,360	14,073,500	14,000,000	5,539,464	-	-	-	140,103,324	129,265,788
Interest capitalised		<u>24,038,548</u>	-	-	-	-	-	-	<u>24,038,548</u>	<u>24,038,548</u>
		130,528,908	14,073,500	14,000,000	5,539,464	-	-	-	164,141,872	153,304,336
Loans issued										
during the year		-	-	-	-	10,207,975	15,252,543	65,505,555	90,966,073	19,539,464
Loan repayment		<u>(8,701,928)</u>	<u>(14,073,500)</u>	<u>(14,000,000)</u>	<u>(179,212)</u>	<u>(216,767)</u>	-	<u>(1,270,200)</u>	<u>(38,441,607)</u>	<u>(8,701,928)</u>
		121,826,980	-	-	5,360,252	9,991,208	15,252,543	64,235,355	216,666,338	164,141,872
Current portion of loan		<u>(8,701,928)</u>	-	-	<u>(256,442)</u>	<u>(412,909)</u>	<u>(712,854)</u>	<u>(3,236,737)</u>	<u>(13,320,870)</u>	<u>(36,986,147)</u>
	\$	<u>113,125,052</u>	-	-	<u>5,103,810</u>	<u>9,578,299</u>	<u>14,539,689</u>	<u>60,998,618</u>	<u>203,345,468</u>	<u>127,155,725</u>
b. Short-term loans										
			SCL	H2O #1	H2O #2	Total 2016	Total 2015			
Balance beginning of year	\$	2,614,668	400,774	1,725,637	4,741,079	-	-			
Loans issued during year		-	-	-	-	7,975,947	-			
Loan repayment		<u>(2,614,668)</u>	<u>(400,774)</u>	<u>(1,725,637)</u>	<u>(4,741,079)</u>	<u>(3,234,868)</u>	-			
Balance end of year	\$	-	-	-	-	<u>4,741,079</u>	-			

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

13. Loans Payable (continued)

- (b) This amount represents a 25 year fixed rate bond issue of \$150,000,000 at an effective annual interest rate of 5.7% amortised over 25 years inclusive of a moratorium on interest for three years and on principal for five years. The moratorium on interest expired on September 30, 2008 and the moratorium on principal expired on September 30, 2010. The loan is thereafter payable in monthly instalments of principal and interest. The loan matures on March 31, 2030.

The effective interest rate of 5.7% is determined as follows:

Per annum

For the first two years	4.90%
For the next five years	5.25%
For the next five years	5.80%
For the next five years	6.85%
For the final eight years	6.95%

The security provided for the loans is a Letter of Comfort from the Government of Barbados dated September 29, 2004, for \$150 million pending the execution of a Government of Barbados Guarantee.

- (c) *Construction of New Headquarters Office Complex by Innotech Services*
The loan was procured by the financing on behalf of the Authority for the building from Ansa Merchant Bank Limited. The financing is by way of an issue of 8.25% Fixed Rate Sovereign Assured Class A bonds due 2021 denominated in Barbados and United States dollars. The total borrowings amount to \$65M.
- (d) *IFL Pipelines Inc.*
On February 7, 2012, the Authority entered into a loan agreement with IFL Pipelines Inc. to finance, design, supply, install, erect, construct, fabricate and test three pipelines for the Authority along three different routes. The interest rate charged is 9.25% annually, which is fixed for the first five years, with interest rate reset every five years and the term of the loan is 15 years.

Interest is payable by equal monthly amounts throughout the life of the finance period of 120 months in respect of each individual pipeline. The finance period commences on practical completion of each section.

On December 19, 2014, the Certification of the Practical Completion of Section One (Pipe System 1 - Belle to Bussa 18" Ductile Iron transfer main) was executed. The value of the work performed, equivalent to the amount of the loan, was \$5,539,464.

On April 27, 2015, the Certification of the Practical Completion of Section Three (Pipe System 3 - Forte George to Searles 12" distribution main) was executed. The value of the work performed, equivalent to the amount of the loan, was \$10,207,975.

On August 24, 2015, the Certification of the Practical Completion of Section of Section Three (Pipe System 2 - Brittons Hill to Providence 12" transfer main) was executed. The value of the work performed, equivalent to the amount of the loan, was \$15,252,543.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

14. Operating Revenue – Private Developments and Plumbing (net)

This amount comprises:

Operating expenses associated with Private Developments and Plumbing are incorporated in operating revenue in the Statement of Comprehensive Income.

	<u>2016</u>	<u>2015</u>
Private developments		
Gross income	\$ 243,465	835,236
Less cost of related works	<u>(271,924)</u>	<u>(754,432)</u>
Operating (cost) revenue	(28,459)	80,804
Plumbing		
Gross income	786,094	500,746
Less cost of related works	<u>(1,326,995)</u>	<u>(1,406,324)</u>
Operating cost	<u>(540,901)</u>	<u>(905,578)</u>
Net operating cost	\$ <u>(569,360)</u>	<u>(824,774)</u>

15. Depreciation

This amount comprises:

	<u>2016</u>	<u>2015</u>
<i>Depreciation</i>		
Water system	\$ 9,493,638	8,797,417
Sewerage system	<u>3,772,011</u>	<u>3,550,540</u>
	\$ <u>13,265,649</u>	<u>12,347,957</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

16. Employee Benefits

The Authority maintains a non-contributory defined benefit plan which covers all of its eligible employees. The pension plan provides benefits based on length of service and the best three years' average earnings in the current year. The Authority contributes amounts recommended by the actuary to meet the cost of the benefits arising under the Plan. At the year end, the defined benefit obligation can be specified as follows:

	<u>2016</u>	<u>2015</u>
Benefit obligation		
Balance at beginning of year	\$ 128,797,451	113,549,594
Current service cost	2,481,994	1,848,324
Interest cost	9,783,240	8,606,716
Actuarial losses	487,270	11,631,528
Benefit payments	<u>(7,606,197)</u>	<u>(6,838,711)</u>
Balance at end of year	\$ <u>133,943,758</u>	<u>128,797,451</u>
Plan assets at fair value		
Balance at beginning of year	\$ 66,322,113	67,075,479
Actual return on plan assets	2,816,446	2,912,245
Employer contributions	3,862,210	3,250,000
Benefit payments	(7,606,197)	(6,838,711)
Administration expenses	<u>(77,300)</u>	<u>(76,900)</u>
Balance at end of year	\$ <u>65,317,272</u>	<u>66,322,113</u>
Liability on Statement of Financial Position	\$ <u>68,626,486</u>	<u>62,475,338</u>
Benefit cost		
Current service cost	\$ 2,481,994	1,848,324
Interest on obligation	9,783,240	8,606,716
Expected return on plan assets	(4,994,884)	(5,059,287)
Administration expenses	<u>77,300</u>	<u>76,900</u>
	7,347,650	5,472,653
Other	<u>354,961</u>	<u>351,349</u>
Total included in income	\$ <u>7,702,611</u>	<u>5,824,002</u>
Statement of Other Comprehensive Income		
Loss from experience	\$ 487,270	11,631,528
Expected return on plan assets	4,994,884	5,059,287
Actual return on plan assets	<u>(2,816,446)</u>	<u>(2,912,245)</u>
	\$ <u>2,665,708</u>	<u>13,778,570</u>
Statement of Financial Position Reconciliation		
Balance at beginning of year	\$ 62,475,338	46,474,115
Net periodic benefit income	7,347,650	5,472,653
Employer contributions	(3,862,210)	(3,250,000)
Effect of Statement of Other Comprehensive Income	<u>2,665,708</u>	<u>13,778,570</u>
	\$ <u>68,626,486</u>	<u>62,475,338</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

17. Government Grant

Government grant consists of funds received from the Government of Barbados to assist in the Authority's operational activities totalling \$8,101,500 (2015- \$8,486,718)

18. Corporation Tax

Corporation tax expense comprises:

	<u>2016</u>	<u>2015</u>
Current tax expense	\$ -	-
Deferred tax expense (income)	1,294,950	(108,999)
Deferred tax not recognized	<u>(1,294,950)</u>	<u>108,999</u>
Corporation tax expense	\$ <u>-</u>	<u>-</u>

Reconciliation of taxes calculated at the applicable tax rate with tax expense

	<u>2016</u>	<u>2015</u>
Accounting income before corporation taxes	\$ <u>12,940,003</u>	<u>8,112,981</u>
Tax at 25% (2015: 25%)	\$ 3,235,000	2,028,245
Tax effect of revenue that is not assessable in determining taxable profits	(2,025,375)	(2,121,680)
Tax effect of gain on sale of fixed asset not subject to CCA	-	(15,565)
Depreciation on assets not subject to CCA	210,325	-
Deductions allowed	(125,000)	-
Deferred tax asset/(liability) not recognized	-	108,999
Benefit of loss utilised	<u>(1,294,950)</u>	<u>-</u>
	\$ <u>-</u>	<u>-</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

18. Corporation Tax (continued)

Unrecognised Deferred Tax Assets

Deferred tax assets have not been utilized in respect of the following items:

	<u>2016</u>	<u>2015</u>
Deductible (taxable) temporary differences:		
Accounts receivable	\$ 55,223,618	50,277,461
Employee benefit plan	68,626,486	62,475,338
Property, plant and equipment	<u>100,356,758</u>	<u>105,115,377</u>
Net	224,206,862	217,868,176
Tax losses	<u>11,332,827</u>	<u>21,729,263</u>
	\$ <u>235,539,689</u>	<u>239,597,439</u>
Deferred taxes not recognised	\$ <u>58,884,922</u>	<u>59,899,360</u>

The tax losses expire between 2017 and 2018. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been utilized in respect of these items because it is not probable that future tax profit will be available against which the Authority can utilize the benefits.

As at the statement of financial position date, the Authority had the following estimated losses available for set off against future taxable income. These losses have not been agreed or contested by the Barbados Revenue Authority. The losses and their expiry dates are as follows:

Year of Income	Amount Brought Forward	Losses Utilised	Losses Incurred	Losses Expired	Amount Carried Forward	Expiry Date
2007	\$ 10,396,436	10,081,814	-	314,622	-	
2008	2,947,557	-	-	-	2,947,557	2017
2009	<u>8,385,270</u>	-	-	-	<u>8,385,270</u>	2018
	\$ <u>21,729,263</u>	<u>10,081,814</u>	-	<u>314,622</u>	<u>11,332,827</u>	

The Barbados Revenue Authority has agreed the losses for the years 1996 to 2002. Losses for the subsequent years have not been agreed or contested by the Barbados Revenue Authority .

The tax benefit of these losses has not been recognised in these financial statements.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

19. Related Party Transactions

The key management personnel compensations are as follows:

		<u>2016</u>	<u>2015</u>
Directors	\$	33,400	38,400
Senior Management	\$	1,625,282	1,471,982

20. Government of Barbados

This consists of capital grants received from the Government of Barbados to assist in the Authority's acquisition of capital assets.

21. Commitments and Contingencies

(a) Commitments

The Authority has entered into a 15 year agreement with Ionics Incorporated of Massachusetts "Ionics", United States of America. "Ionics", in a joint venture with a local company, and has constructed a 30,000m³ Desalination Plant in Barbados under a "BOO" (build, own, operate) basis.

Under the agreement, the Authority purchases a minimum of 27,000m³ of desalinated water per day with an option to purchase the Plant at some time in the future.

(b) Contingent Liability

Legal Proceedings

The residents surrounding the Bridgetown Sewerage Treatment Plant have filed a lawsuit against the Authority for damages with respect to the inconveniences and ill health caused by the operations of the plant. This case has been settled. However, the amount of the settlement is under negotiation and it ranges between \$2.5M and \$7.3M. In addition, the proposed legal fees range from \$1.3M to \$1.6M. No amounts have been accrued in the financial statements relating to this lawsuit.

(c) Contingent Asset

South Coast Sewerage Treatment Plant

The Ministry of Health in conjunction with the Inter-American Development Bank constructed the South Coast Sewerage Treatment plant, which the Authority manages and operates. The net book value of the plant is \$145 million (2015: \$151 million) as at year-end. The value of this plant has not been included in the financial statements as this asset has not been formally transferred to the Authority.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

22. Operating Leases

The Authority leases vehicles under a number of operating leases. The leases typically run for a period of 5 years. The Authority have first right of refusal of purchase, with vehicles being sold at the end of the lease at market value. At March 31, the future minimum lease payments under operating leases were as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 6,125,862	5,128,027
Between one and five years	<u>11,663,508</u>	<u>12,804,110</u>
	<u>\$ 17,789,370</u>	<u>17,932,137</u>
Amount recognised in statement of comprehensive income		
	<u>2016</u>	<u>2015</u>
Lease expense	\$ 6,125,862	5,128,027
Between one and five years	<u>11,663,508</u>	<u>12,804,110</u>
	<u>\$ 17,789,370</u>	<u>17,932,137</u>

23. Fair Value Disclosure of Financial Instruments

Financial assets of the Authority include cash on hand and in bank, fixed deposits, customers' accounts receivable and other assets. Financial liabilities include bank overdraft, accounts payable, customers' deposits, other liabilities, salaries and wages payable and long-term loans.

(a) *Credit risk*

Cash is placed with more than one reputable bank. Credit risk on customers' accounts receivable is limited as these accounts are shown net of provision for bad and doubtful receivables.

(b) *Fair value*

The fair values of cash on hand and in bank, term deposits, customers' accounts receivable, other assets, accounts payable, customers' deposits, long-term loans, salaries and wages payable and other liabilities are not materially different from their carrying amounts.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

24. Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk Management Framework

The Authority's Board of Directors has overall responsibility for the establishment and oversight of the Authority's risk management framework. Senior Management is responsible for developing and monitoring the Authority's risk management policies. The management team periodically reports to the Board of Directors on its activities.

The Authority's risk management policies are established to identify and analyze the risks faced by the Authority, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Authority, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to financial instrument fails to meet its contractual obligations, and arises principally from the Authority's cash and term deposits, accounts receivable and other assets.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

Cash and cash equivalents

The Authority's cash and cash equivalents held of \$15,996,870 (2015: \$18,045,209) represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and substantial financial institutions which present minimal risk of default.

Customers' accounts receivable

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are a commercial, government or residential customer, industry, aging profile, maturity and existence of previous financial difficulties.

In the event of non-payment the Barbados Water Authority Act stipulates that unpaid rates and charges are a lien and charge against the premises in respect of which the debt is incurred. The Authority requires a deposit to be made on the installation on new water services and work carried out with respect to private development work.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

24. Financial Risk Management (continued)

Customers' accounts receivable (continued)

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

The maximum exposure to credit risk for accounts receivable at the end of the reporting period by type of counterparty was as follows:

	<u>2016</u>	<u>2015</u>
Commercial customers	\$ 14,790,874	11,938,775
Government receivables	11,786,404	11,189,350
Residential customers	20,576,832	15,719,415
Plumbing receivables	8,374,850	8,445,288
Private development receivables	19,061,555	19,208,179
Other receivables	<u>218,446</u>	<u>211,070</u>
	<u>\$ 74,808,961</u>	<u>66,712,077</u>

Impairment losses

The aging of customers' accounts receivable at the reporting date was as follows:

	<u>Gross</u> <u>2016</u>	<u>Impairment</u> <u>2016</u>	<u>Gross</u> <u>2015</u>	<u>Impairment</u> <u>2015</u>
Current 0 – 60 days	\$ 10,264,382	-	7,169,825	-
Past due 61-180 days	5,300,970	-	4,919,458	-
Past due 181-360 days	5,363,978	-	5,168,856	-
More than 360 days	<u>53,879,631</u>	<u>55,223,618</u>	<u>49,453,938</u>	<u>50,277,461</u>
	<u>\$ 74,808,961</u>	<u>55,223,618</u>	<u>66,712,077</u>	<u>50,277,461</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

24. Financial Risk Management (continued)

Impairment losses (continued)

The movement in the allowance for impairment in respect of customers' accounts receivables was as follows:

	<u>2016</u>	<u>2015</u>
Balance at April 1	\$ 50,277,461	46,478,857
Impairment loss recognised	4,946,157	3,798,595
Adjustment to receivables	<u>-</u>	<u>9</u>
Balance at March 31	\$ <u>55,223,618</u>	<u>50,277,461</u>

The Authority believes that all closed accounts are uncollectible and that all accounts less than 360 days that are not closed are collectible, based on historic payment. The Authority has monitored customer credit risk, by grouping customer receivables based on their characteristics.

Liquidity Risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

24. Financial Risk Management (continued)

Liquidity risk

Exposure to liquidity risk

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Non-derivative Financial Liability

	Carrying Amount	Contractual Cash Flows	6 Months or Less	6 to 12 Months	1 to 5 Years	Over 5 Years
March 31, 2016						
Accounts payable	\$ 30,423,670	30,423,670	30,423,670	-	-	-
Customers' deposits	4,629,473	4,629,473	-	4,629,473	-	-
Salaries and wages	541,425	541,425	541,425	-	-	-
Other liabilities	3,848,497	3,848,497	-	3,848,497	-	-
Long-term loans	<u>216,666,338</u>	<u>336,604,599</u>	<u>15,114,992</u>	<u>13,879,780</u>	<u>108,845,351</u>	<u>198,764,476</u>
	\$ <u>256,109,403</u>	<u>376,047,664</u>	<u>46,080,087</u>	<u>22,357,750</u>	<u>108,845,351</u>	<u>198,764,476</u>
March 31, 2015						
Accounts payable	\$ 31,651,251	31,651,251	31,651,251	-	-	-
Customers' deposits	4,642,450	4,642,450	-	4,642,450	-	-
Other liabilities	3,528,075	3,528,075	3,528,075	-	-	-
Salaries and wages	108,070	108,070	108,070	-	-	-
Short-term loan	4,741,079	5,057,972	3,741,941	1,316,031	-	-
Long-term loans	<u>164,141,872</u>	<u>234,768,648</u>	<u>37,939,057</u>	<u>8,352,194</u>	<u>64,115,611</u>	<u>124,361,786</u>
	\$ <u>208,812,797</u>	<u>279,756,466</u>	<u>76,968,394</u>	<u>14,310,675</u>	<u>64,115,611</u>	<u>124,361,786</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

24. Financial Risk Management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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 optimizing the return on risk.

Currency risk

The Authority is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currency of the Authority. The currencies in which these transactions primarily are denominated are USD and GBP.

The Authority's main exposure to market risk arises from the Barbados National Bank Inc., renamed Republic Bank (Barbados) Limited ("the Bank") \$150,000,000 loan which as disclosed in note 13, is charged interest on the outstanding balance at a rate of 5.25%, as well as the loan with IFL pipelines at an interest rate of 9.25 percent, and the Finance lease for the new headquarters at 8.25 percent. It must be noted that the financing arrangements for the construction of the office complex includes a loan of \$14.475M denominated in US currency.

Interest rate risk

The Authority adopts a policy of ensuring that 100 percent of its exposure to changes in interest rate on borrowings is on a fixed-rate basis.

At the reporting date the interest rate profile of the Authority's interest bearing financial instruments was as follows:-

	<u>2016</u>	<u>2015</u>
Fixed rate instruments		
Financial assets	\$ 5,822,934	1,047,062
Financial liabilities	216,666,338	168,882,951

Interest rate sensitivity:

Fair value sensitivity analysis for fixed rate instruments:

The Authority does not account for any fixed rate financial assets or liabilities at fair value. Therefore, a change in interest rates at the reporting date would not affect profit or equity recognised for the year.

Sensitivity analysis

The impact of an increase or decrease of 5% in the average tariff charged per cubic meter is as follows:-

A 5% increase in the average tariff per cubic meter would increase the profit by \$5,507,900. This analysis assumes that all other variables, remain constant.

A 5% decrease in the average tariff per cubic meter would have had the equal and opposite effect on the basis that all variables remain constant.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

24. Financial Risk Management (continued)

Capital management

The Authority's policy is to maintain a strong capital base to maintain the confidence of the government, customers, creditors and other stakeholders and to sustain future development of the Authority. The Authority is not subjected to any externally imposed capital requirements.

Sensitivity analysis

The impact of an increase or decrease of 5% in the average tariff charged per cubic meter is as follows:

Total Water Revenue	\$ 122,819,649
Total billed consumption	24,776,368
Average tariff per cubic meter	5
% increase	-
% decrease	-
Total sewerage revenues	7,155,208

Strengthening

Average tariff per cubic meter (5% increase)

Impact:

Revised water revenue	128,960,631
Original revenues	122,819,649
Increase in water revenue	6,140,982
Increase in sewerage revenues	354,936

Original operating income	24,777,999
Revised operating income	31,275,917

Weakening

Average tariff per cubic meter (5% decrease)

Impact:

Original revenues	122,819,649
Revised revenues	116,678,666
Decrease in water revenue	(6,140,982)
Decrease in sewerage revenues	(354,936)

Original operating income	24,777,999
Revised operating income	18,282,081

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

25. Subsequent Events

For the purposes of these financial statements, subsequent events have been evaluated through October 24, 2019, which is the date the financial statements were finalized.

Raising of Financing from the Caribbean Development Bank

On August 25, 2016, the Government of Barbados, the Barbados Water Authority and the Caribbean Development Bank signed a loan agreement in the amount of US\$35.7 million. The money is being used to upgrade the water supply network.

Salary Adjustment

On March 26, 2016 the Barbados Water Authority and the Barbados Public Workers Union entered into an agreement to adjust the basic salaries and wages of staff in Bargaining Unit one for the period commencing April 1, 2006 to March 31, 2015 utilizing a 17 point system. The approximate value of the arrears to be paid is \$20M and the estimated increase in salaries and wages amount to 20 percent. This was implemented in May 2016. Additionally, in November 2017, the BWA implemented another salary adjustment for the period April 2015 to March 2018. The approximate value of the arrears is under review.

Government Financing

Over the period 2017 to 2019, the Government of Barbados provided the Authority with funds totaling \$177 million to finance capital expenditure and operations.

Increase in Commercial Tariff

The Prime Minister and Minister of Finance and Economic Affairs in her 2019 Financial Statement and Budgetary Proposals stated that effective May 1, 2019 the commercial rate will move from a fixed \$4.66/m³ for all water levels to \$4.66/m³ for up to 40 cubic meters and then \$7.78 for usage in excess of 40 cubic meters with a monthly cap of 12,000 cubic meters, after which the rate reverts to \$4.66/m³.

Raising of Financing from Caribbean Development Bank

On August 25, 2016, the Government of Barbados, the Authority and the Caribbean Development Bank signed a loan agreement in the amount of US\$35.7 million to be used for the Water Supply Network Upgrade Project.

Raising of Financing from the Green Climate Fund

In March 2018 the Authority signed a grant agreement with the Green Climate Fund for US\$29.0 million for the Water Sector Resilience Nexus for Sustainability in Barbados Project.

Raising of Financing from Caribbean Development Bank

The Authority is in the process of preparing the submission of a loan application to the Caribbean Development Bank for the purpose of funding the construction of a permanent marine outfall to facilitate the final and permanent replacement for the temporary outfall constructed in 2019 as a part of emergency works to resolve issues with the disposal of effluent from the South Coast Treatment plant. The cost of the works is currently estimated at \$66 million.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

25. Subsequent Events, continued

Service Contracts

On April 7, 2016, the Authority signed an agreement with Ionics Freshwater Limited in the amount of \$70,000 per month for 60 months for rental of plant equipment and \$59,000 per month for 60 months for operational charge related to the supply of desalinated water at Hope, St. Lucy.

On October 5, 2016, the Authority signed an agreement with Everclear Water Inc. Ionics Freshwater Limited in the amount of \$4.06 per cubic meter for 27,277m³/day and \$3.99 per cubic meter per day for over 27,277m³/day for supply of 27,277m³/day from a Seawater Reverse Osmosis Desalination Facility at Gibbons/Ealing Grove, Christ Church.

On October 20, 2016, the Authority signed an agreement with Innotech Services Limited in the amount of \$78,000 per month for 60 months for rental of plant equipment and \$62,000 per month for 60 months for operational charge related to the supply of desalinated water at Trents (Brackish Water Plant).

On October 20, 2016, the Authority signed an agreement with Innotech Services Limited in the amount of \$105,000 per month for 60 months for rental of plant equipment and \$88,000 per month for 60 months for operational charge related to the supply of desalinated water at Trents (Seawater Plant)

On December 12, 2016, the Authority signed an agreement with Water Technology Systems in the amount of \$4.02 per cubic meter for 27,277m³/day and \$3.95 per cubic meter per day for over 27,277m³/day for supply of 27,277m³/day from a Seawater Reverse Osmosis Desalination Facility at Harrison's Point, St. Lucy.

On January 23, 2017, the Authority signed an agreement with Ortus Plumbing & Plumbing Supplies Ltd. in the amount of \$5.3 million to supply pipes and fittings.

On October 27, 2017, the Authority signed an agreement with Amec Foster Wheeler Americas Limited in the amount of US\$1.8 million for consultancy services for the design and supervision of the upgrade of the water production and distribution facilities, reservoir replacement and refurbishment the Green Climate Fund. The Caribbean Development Bank is providing funding while the Authority bears the VAT portion.

On October 27, 2017, the Authority signed an agreement with Stantec Consulting Caribbean Limited in the amount of \$2.0 million for consultancy services for the design and supervision of the replacement of approximately thirty kilometers of waters mains within the island.

On January 29, 2018, the Authority signed an agreement with the United Arab Emirates in the amount of US\$3.5m for a solar project for the Bridgetown Sewage Treatment Plan and Bowmanstan.

On February 12, 2018, the Authority signed an agreement with Insight Freightling in the amount of \$2.2 million to carry out maintenance works, including debushing, on all stations and reservoirs at a minimum of twice a month.

On March 8, 2018, the Authority signed an agreement with Innotech Equipment Inc. in the amount of US\$2.4 million to supply potable water meters.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2016

(Expressed in Barbados dollars)

25. Subsequent Events, continued

Service Contracts, continued

On March 9, 2018, the Authority signed an agreement with Innotech Supply Company Limited in the amount of US\$8.0 million for reconstruction of the Grand View Reservoir.

On March 23, 2018, the Authority signed an agreement with DCH Energy GmbH, Germany in the amount of \$36.0 million to develop, construct and own an 8 MWp solar PV power plant in Barbados.

On April 11, 2018, the Authority signed an agreement with Innotech Utilities Inc. in the amount of US\$7.7 million for water meter data management and mobile collection system. Modification to the contract is being pursued.

On May 10, 2018, the Authority signed an agreement with Jada Builders Inc. in the amount of \$26.1 million for replacement of approximately thirty kilometers of water mains within the island. The Caribbean Development Bank is providing funding while the Authority bears the VAT portion.

On May 14, 2018, the Authority signed a memo of understanding agreement with H2O Consulting Ltd. in the amount of US\$30.0 million for upgrade of the South Coast Sewage Treatment Plant. Cancellation of the contract is being pursued.

On May 22, 2018, the Authority signed an agreement with Innotech Services Limited in the amount of \$31.1 million to supply and install seven glass lined steel water storage tanks and perform repairs to ten.

Garbage and Sewage Levy

The Garbage and Sewage Contribution Levy (GSC) was introduced in August 2018 in order to fund the Sanitation Services Authority (SSA) after its removal from the consolidated fund. The GSC is collected by the Author which charges households \$1.50 per day, and commercial entities 50% of their water bill. Approximately \$1.25 from the \$1.50 charged to households and 50% of the GSC for commercial entities goes to fund the SSA. The remainder is kept by the BWA to offset the operational costs of the sewage systems.

Barbados Economic Recovery and Transformation (BERT) Program

Under the BERT program all State Owned Enterprises (SOE) and other public sector bodies were instructed that all claims on other SOEs and public sector bodies prior to September 1, 2018 were to be written off, including tax refunds. In addition, any amounts owed to other public sector bodies (including the Barbados Revenue Service Authority) incurred prior to September 1, 2018 should also be written off. As part of the program offers were made to settle amounts owed by SOEs for services rendered to other companies. Companies were offered 85% of the agreed and vetted amount owed (before Value Added Tax and excluding any penalties or late charges) for payment by March 31, 2019 or the full balance owed before the end of calendar year 2023.