

Financial Statements of

BARBADOS WATER AUTHORITY

March 31, 2017



Barbados Water Authority

Table of Contents

	Page
Independent Auditors' Report	1 - 3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Comprehensive Loss	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 36





KPMG
Hastings
Christ Church, BB 15154
Barbados West Indies
Telephone: (246) 434-3900
Fax: (246) 427-7123

P. O. Box 690C
Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Barbados Water Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Barbados Water Authority (the "Authority"), which comprise the statement of financial position as at March 31, 2017, the statements of changes in equity, comprehensive loss, and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of Barbados Water Authority (continued)

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

A further description of the auditors' responsibilities for the audit of the financial statements is located at the Institute of Chartered Accountants of Barbados' website at: <http://www.icab.bb/about-icab/auditing>. This description forms part of our auditors' report.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of Barbados Water Authority (continued)

Report on the Audit of the Financial Statements (continued)

Other Matter

This report is made solely to the Authority's shareholder in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Authority's shareholder those matters we are required to state to the shareholder in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's shareholder for our audit work, for this report, or for the opinion we have formed.

KPMG

Chartered Accountants
Bridgetown, Barbados
October 31, 2019

Barbados Water Authority


Statement of Financial Position
As at March 31, 2017
With comparative figures for 2016

(Expressed in Barbados dollars)

	Notes	2017	2016
Assets			
Plant, equipment and property	7	\$ 852,317,416	783,867,482
Less accumulated depreciation	7	<u>(250,675,225)</u>	<u>(238,195,675)</u>
Net plant, equipment and property		601,642,191	545,671,807
Other	11	<u>442,360</u>	<u>481,623</u>
Total non-current assets		<u>602,084,551</u>	<u>546,153,430</u>
Current assets			
Cash and cash equivalents	8	9,363,384	15,996,870
Customers' accounts receivable	9	10,893,609	19,585,343
Work in progress – private development		206,422	132,909
Inventory	10	9,202,965	7,139,302
Prepaid expenses		6,573,104	4,055,316
Other	11	<u>28,416,172</u>	<u>28,355,098</u>
Total current assets		<u>64,655,656</u>	<u>75,264,838</u>
Total Assets		<u>\$ 666,740,207</u>	<u>621,418,268</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Bank overdraft	8	\$ -	3,640,022
Accounts payable		34,135,075	30,423,670
Customers' deposits	12	5,150,710	4,629,473
Salaries and wages		1,168,691	541,425
Other		11,051,416	3,848,497
Current portion of long-term loans	13	<u>15,005,206</u>	<u>13,320,870</u>
Total current liabilities		<u>66,511,098</u>	<u>56,403,957</u>
Long-term debt	13	196,548,831	203,345,468
Employee benefits	16	<u>71,215,323</u>	<u>68,626,486</u>
Total liabilities		<u>334,275,252</u>	<u>328,375,911</u>
Shareholder's equity			
Government contributions	20	441,373,728	395,484,635
Other comprehensive loss		(2,846,812)	(6,936,276)
Deficit		(176,716,127)	(166,159,968)
Reserve re: Asset valuation		<u>70,653,968</u>	<u>70,653,966</u>
Total shareholder's equity		<u>332,464,955</u>	<u>293,042,357</u>
Commitments	21	-	-
Total Liabilities and Shareholder's Equity		<u>\$ 666,740,207</u>	<u>621,418,268</u>

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, 2017
With comparative figures for 2016

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>Government of Barbados</u>	<u>Deficit</u>	<u>Other Comprehensive Income/Loss</u>	<u>Fair Value Reserve</u>	<u>Total</u>
Balance at April 1, 2015		\$ 298,266,718	(179,099,971)	(4,270,568)	70,653,966	185,550,145
Contributions	20	97,217,917	-	-	-	97,217,917
Net income for the year		-	12,940,003	-	-	12,940,003
Re-measurement of defined benefits liability		-	-	(2,665,708)	-	(2,665,708)
Balance at March 31, 2016		395,484,635	(166,159,968)	(6,936,276)	70,653,966	293,042,357
Contributions	20	45,889,093	-	-	-	45,889,093
Net loss for the year		-	(10,556,159)	-	-	(10,556,159)
Re-measurement of defined benefits liability		-	-	4,089,664	-	4,089,664
Balance at March 31, 2017		\$ <u>441,373,728</u>	<u>(176,716,127)</u>	<u>(2,846,612)</u>	<u>70,653,966</u>	<u>332,464,955</u>

See accompanying notes to the financial statements.

Barbados Water Authority

Statement of Comprehensive (Loss) Income
For the year ended March 31, 2017
With comparative figures for 2016

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Operating Revenues:			
Sale of water		\$ 121,284,147	122,819,649
Private developments and plumbing (net)	14	702,708	(569,360)
Sewerage		<u>5,831,834</u>	<u>7,155,208</u>
Total operating revenues		<u>127,818,689</u>	<u>129,405,497</u>
Operating Expenses:			
Operations and maintenance		80,123,907	48,099,924
Commercial		4,257,898	4,107,155
Administrative		38,662,431	33,255,230
Sewerage		6,267,655	5,899,540
Depreciation and amortization	15	<u>12,479,550</u>	<u>13,265,649</u>
Total operating expenses		<u>141,791,441</u>	<u>104,627,498</u>
Operating (loss) income		(13,972,752)	24,777,999
Interest expense		(15,467,639)	(12,814,153)
Finance charge		(158,167)	(183,259)
Pension expense	16	(8,214,461)	(7,702,611)
Interest income		18,771	17,689
Loss on sale of property, plant and equipment		-	(162,225)
Miscellaneous revenue		<u>3,124,581</u>	<u>905,063</u>
		<u>(20,696,915)</u>	<u>(19,939,496)</u>
(Loss) income before government grant and corporation tax		(34,669,667)	4,838,503
Government grant	17	<u>24,113,508</u>	<u>8,101,500</u>
(Loss) income before corporation tax		(10,556,159)	12,940,003
Corporation tax	18	-	-
Net (loss) income for the year		(10,556,159)	12,940,003
Other comprehensive income (loss)			
Items that would never be classified to profit and loss:			
Re-measurement of employee benefit obligation		<u>4,089,664</u>	<u>(2,665,708)</u>
Total comprehensive (loss) income		\$ <u>(6,466,495)</u>	<u>10,274,295</u>
<i>See accompanying notes to the financial statements.</i>			

Barbados Water Authority

Statement of Cash Flows

For the year ended March 31, 2017
With comparative figures for 2016

(Expressed in Barbados dollars)

	Notes	2017	2016
Cash Flows from Operating Activities			
Net Income for the year		\$ (10,556,159)	12,940,003
Adjustments for:			
Pension expense	16	8,214,461	7,702,611
Depreciation and amortization	15	12,479,550	13,265,649
Interest expense		15,467,639	12,814,153
Interest income		(18,771)	(17,689)
Loss on sale of plant and equipment		-	162,225
Operating income before working capital changes		<u>25,586,720</u>	<u>46,866,952</u>
Decrease (increase) in customers' accounts receivable		8,691,734	(3,150,727)
Increase in prepaid expenses		(3,961,791)	(232,321)
(Increase) decrease in work-in-progress - private developments		(73,514)	658
(Increase) decrease in inventories		(2,063,663)	26,082
Increase in other assets		(199,908)	(1,224,504)
Increase (decrease) in accounts payable		5,867,237	(1,227,581)
Increase (decrease) in customers' deposits		521,237	(12,977)
Increase in salaries and wages liabilities		602,616	433,355
Increase (decrease) in other liabilities		<u>6,255,432</u>	<u>(90,803)</u>
Cash from operating activities		41,226,100	41,388,134
Employee benefits paid	16	(1,535,960)	(4,217,171)
Interest paid		<u>(15,029,233)</u>	<u>(12,402,928)</u>
Net cash from operating activities		<u>24,660,906</u>	<u>24,768,035</u>
Cash Flows from Investing Activities			
Additions to plant, equipment and property - net	15	(68,449,934)	(175,559,500)
Interest received		18,771	88,562
Proceeds from sale of property, plant and equipment		-	13,238
Net cash (used in) from investing activities		<u>(68,431,163)</u>	<u>(175,457,700)</u>
Cash Flows from Financing Activities:			
Government contribution		45,889,093	97,217,917
Repayment of long-term loans	13	(13,384,141)	(38,441,607)
Repayment of short-term loans		-	(4,741,079)
Issuance of long-term loans	13	<u>8,271,840</u>	<u>90,966,073</u>
Net cash from financing activities		<u>40,776,792</u>	<u>145,001,304</u>
Decrease in cash during the year		(2,993,464)	(5,688,361)
Cash and term deposits beginning of year		<u>12,356,848</u>	<u>18,045,209</u>
Cash and term deposits end of year		<u>\$ 9,363,384</u>	<u>12,356,848</u>
Cash and term deposits comprise:			
Cash on hand and at bank	8	\$ 9,363,384	10,173,936
Fixed deposits	8	-	5,822,934
Bank overdraft	8	-	(3,640,022)
		<u>\$ 9,363,384</u>	<u>12,356,848</u>

See accompanying notes to the financial statements.

Barbados Water Authority

Notes to the Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

1. Incorporation and Parent Authority

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 31, 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, 2017, the Authority had an accumulated deficit of \$176,716,127 (2016: \$166,159,968) 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, 2017

(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, 2017 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).

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

6. Significant Accounting Policies (continued)

(b) *Basis of measurement*

The measurement basis used is historical cost accounting as modified by the accounting for investments as detailed in note 6(l).

(c) *Functional and presentation currency*

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

(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 recognized 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.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

6. Significant Accounting Policies (continued)

(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.

(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.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

6. Significant Accounting Policies (continued)

(i) Taxation

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

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 loss, except to the extent that it relates to items previously charged or credited to equity.

(j) Employee benefits

The Authority contributes to a defined benefit pension plan. The recognised amount in the statement of comprehensive loss 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.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

6. Significant Accounting Policies (continued)

(j) *Employee benefits (continued)*

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 loss 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 recognized 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 BWA'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.

(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 loss. 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.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

6. Significant Accounting Policies (continued)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and fixed deposits with a maturity of less than three months. The bank overdraft 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 recognized in the statement of comprehensive loss 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.

(p) Standards, interpretations and amendments to existing standards effective for the current year

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.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

6. Significant Accounting Policies (continued)

(q) Standards, interpretations and amendments to existing standards effective for the current year (continued)

Standards in issue but not yet effective

New standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Authority are as follows:

- IAS 7 (Amendments) – Disclosure Initiative (effective January 1, 2017)
- IAS 12 (Amendments) – Recognition of Deferred Tax Assets for Unrealised Losses (effective January 1, 2017)
- Annual Improvements to IFRS 2014-2016 Cycle – (Amendments to IFRS 12 Disclosure of Interests in Other Entities (effective January 1, 2017)
- Annual Improvements to IFRS 2014-2016 Cycle – (Amendments to IFRS 1 First time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures (effective date January 1, 2018)
- IAS 40 (Amendments) – Transfer of Investment Property (effective January 1, 2018)
- IFRS 2 (Amendments) – Classification and Measurement of Share-based Payment Transactions (effective date January 1, 2018)
- IFRS 4 (Amendments) – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date January 1, 2018)
- IFRS 9 - Financial Instruments (effective January 1, 2018)
- IFRS 15 - Revenue from Contracts with Customers (effective January 1, 2018)
- IFRS 16 - Leases (effective January 1, 2019)

None of these is expected to have a significant effect on the financial statements of the Authority in the period of adoption, except for IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers* which become mandatory for the Authority's 2019 financial statements. A description of these standards is provided below:-

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

6. Significant Accounting Policies (continued)

- (q) *Standards, interpretations and amendments to existing standards effective for the current year (continued)*

IFRS 9 — Financial Instruments

In July 2014, the IASB released the final version of IFRS 9 *Financial Instruments*. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, *Financial Instruments: Recognition and Measurement*, with a new mixed measurement model having only two categories: amortised cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognised either at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognised in profit or loss insofar as they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

IFRS 9 introduces a new single expected credit loss ("ECL") impairment model for all financial assets and certain off balance sheet loan commitments and guarantees. The new ECL model will result in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event.

The ECL model requires the recognition of credit losses based on twelve months of expected losses for performing financial assets and recognition of lifetime losses on financial assets that have experienced a significant increase in credit risk since origination.

Requirements for financial liabilities carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in the statement of other comprehensive income. It also includes guidance on hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Authority is currently evaluating the impact of the standard on its financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") will replace IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and some revenue-related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognised. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognised. The Authority is currently evaluating the impact of the standard on its financial statements.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

7. Plant, Equipment and Property

Plant, equipment and property comprises:

Cost/Valuation	WATER SYSTEM							SEWERAGE SYSTEM			CAPITAL WORK-IN-PROGRESS			Total
	Land & Land Rights	Headquarters Finance Lease	New Improvements and Building	Potable Water Distribution Network	Transportation Equipment	Computer Equipment	Operations and Maintenance Equipment	Projects	BSTP	SCIP	Water	Sewerage	Other	
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	88,400,311	999,964	17,411,496	19,956,422	106,674,099	609,215,474
Additions	-	65,498,695	386,784	5,045,581	-	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)	(118,418)	(427,676)	-	-	-	-	-	(15,265,858)	(907,492)
Balance at March 31, 2016	\$ 9,243,005	80,764,553	13,663,748	336,870,164	8,871,813	5,501,249	6,520,075	3,901,705	88,441,673	1,150,172	46,170,772	20,291,462	163,477,091	783,867,462
Balance at April 1, 2016	\$ 8,243,005	80,764,553	13,663,748	336,870,164	8,871,813	5,501,249	6,520,075	3,901,705	88,441,673	1,150,172	46,170,772	20,291,462	163,477,091	783,867,482
Additions	-	-	8,240	10,660	3,844,685	1,597	108,301	-	13,135	599,133	15,942,032	256,301	47,665,850	68,449,934
Assets written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals/transfers	-	-	-	12,978,388	-	-	-	-	-	-	(12,978,388)	-	-	-
Balance at March 31, 2017	\$ 8,243,005	80,764,553	13,671,988	349,891,212	12,716,498	5,502,846	6,628,376	3,901,705	88,454,808	1,749,305	49,134,416	20,547,763	211,142,941	852,317,416
Accumulated Depreciation														
Balance at April 1, 2015	\$ -	-	7,564,984	147,772,908	6,876,344	4,780,884	1,048,604	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	-	-	-	-	(352,655)	(118,418)	(185,624)	-	-	-	-	-	-	(656,705)
Balance at March 31, 2016	\$ -	841,298	8,172,366	154,920,813	6,735,806	4,905,623	1,302,749	3,901,705	57,052,339	362,976	-	-	-	238,195,675
Balance at April 1, 2016	\$ -	841,298	8,172,366	154,920,813	6,735,806	4,905,623	1,302,749	3,901,705	57,052,339	362,976	-	-	-	238,195,675
Charge for the year	-	2,019,114	618,134	6,076,310	319,488	248,467	436,462	-	2,673,709	87,866	-	-	-	12,479,550
Assets written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals/transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2017	\$ -	2,860,412	8,790,500	180,997,123	7,055,294	5,154,090	1,739,211	3,901,705	59,726,048	450,842	-	-	-	250,675,225
Carrying Amounts														
At March 31, 2015	\$ 8,243,005	-	5,711,980	184,051,697	2,356,969	450,167	3,015,687	-	35,047,696	709,075	17,411,496	19,956,422	106,674,099	383,628,743
At March 31, 2016	\$ 8,243,005	79,923,255	5,491,382	181,949,351	2,136,007	595,626	5,217,326	-	31,389,332	787,186	46,170,772	20,291,462	163,477,091	545,671,807
At March 31, 2017	\$ 8,243,005	77,906,141	4,881,488	188,892,089	5,861,204	348,756	4,889,165	-	28,728,760	1,298,423	49,134,416	20,547,763	211,142,941	601,642,191

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. 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, 2017

(Expressed in Barbados dollars)

8. Cash and Cash Equivalents

Cash and term deposits comprise:

	<u>2017</u>	<u>2016</u>
Cash and bank balances	\$ 9,363,384	10,173,936
Term deposits	-	5,822,934
Bank overdraft	-	<u>(3,640,022)</u>
	<u>\$ 9,363,384</u>	<u>12,356,848</u>

Interest rates on the term deposits ranged from 1.5% to 1.7%

9. Customers' Accounts Receivable

	<u>2017</u>	<u>2016</u>
Water and sewerage	\$ 49,184,373	47,154,109
Plumbing	8,310,479	8,374,850
Private Developments	19,312,981	19,061,555
Septage rates	141,598	141,598
Cashier shortages (miscellaneous)	5,786	6,313
Sewerage works	<u>79,751</u>	<u>70,536</u>
	\$ 77,034,968	74,808,961
Allowance for doubtful accounts	<u>(66,141,359)</u>	<u>(55,223,618)</u>
	<u>\$ 10,893,609</u>	<u>19,585,343</u>

10. Inventories

This amount comprises:

	<u>2017</u>	<u>2016</u>
Water systems	\$ 8,779,708	6,657,276
Small tools	102,649	162,727
Sewage	<u>320,608</u>	<u>319,299</u>
	<u>\$ 9,202,965</u>	<u>7,139,302</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

11. Other Assets

Other assets comprise:

	<u>2017</u>	<u>2016</u>
Advances to employees	\$ 444,894	816,688
Car/cycle loans	247,977	258,868
In-house loans	571,849	571,849
Interest receivable	16,106	16,105
Loan advances	-	8,116,090
Other	37,129	348,862
Payroll deductions receivables	(584)	161,582
VAT recoverable	<u>27,098,801</u>	<u>18,065,054</u>
	<u>\$ 28,416,172</u>	<u>28,355,098</u>

Car/cycle loans due after one year:

Due within two to four years	\$ 404,822	457,804
Due within five to seven years	<u>37,538</u>	<u>23,819</u>
	<u>\$ 442,360</u>	<u>481,623</u>

12. Customers' Deposits

This amount comprises:

	<u>2017</u>	<u>2016</u>
Bond deposits	\$ 69,673	69,674
Customers' deposits	5,038,916	4,517,678
MTW Special Deposit	<u>42,121</u>	<u>42,121</u>
	<u>\$ 5,150,710</u>	<u>4,629,473</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, 2017

(Expressed in Barbados dollars)

13. Long-term debt

	(a) 150M Bond Issue	(b) IFL Pipelines	(c) New Headquarters Loan	(d) Pipes and Fittings	(e) Lease of Water Tankers	Total 2017	Total 2016
Balance							
beginning of year	\$ 97,788,431	30,604,003	64,235,355	-	-	192,627,789	140,103,324
Interest capitalised	<u>24,038,549</u>	-	-	-	-	<u>24,038,549</u>	<u>24,038,548</u>
	\$ <u>121,826,980</u>	<u>30,604,003</u>	<u>64,235,355</u>	-	-	<u>216,666,338</u>	<u>164,141,872</u>
Loans issued							
during the year	\$ -	-	-	3,804,335	4,467,505	8,271,840	90,966,073
Loan repayment	<u>(8,701,928)</u>	<u>(1,113,820)</u>	<u>(3,238,581)</u>	<u>(150,564)</u>	<u>(179,248)</u>	<u>(13,384,141)</u>	<u>(38,441,607)</u>
	\$ <u>113,125,052</u>	<u>29,490,183</u>	<u>60,996,774</u>	<u>3,653,771</u>	<u>4,288,257</u>	<u>211,554,037</u>	<u>216,666,338</u>
Current portion of loan	<u>(8,701,928)</u>	<u>(1,348,291)</u>	<u>(3,514,100)</u>	<u>(1,032,801)</u>	<u>(408,086)</u>	<u>(15,005,206)</u>	<u>(13,320,870)</u>
	\$ <u>104,423,124</u>	<u>28,141,892</u>	<u>57,482,674</u>	<u>2,620,970</u>	<u>3,880,171</u>	<u>196,548,831</u>	<u>203,345,468</u>

Barbados Water Authority

Notes to the Financial Statements (continued)
For the year ended March 31, 2017

(Expressed in Barbados dollars)

13. Long-term debt (continued)

- (a) 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.

- (b) Further, BWA has negotiated a loan to finance the installation of three major pipelines. The interest rate charged is 9.25 percent per year, which is fixed for the first five years, with interest rate reset every five years and the term of the loan is 15 years. This loan pertains to the construction of three pipelines Belle to Bussa, Fort George to Searles and Brittons to Providence.
- (c) With regards to the New Headquarters office complex, Innotech Services procured the financing on behalf of the BWA for the building from Ansa Merchant Bank Limited. The financing is by way of an issue of 8.25 percent Fixed Rate Sovereign Assured Class A bonds due 2021 denominated in Barbados and United States dollars. The total borrowings amount to \$65M.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

14. Operating Revenue – Private Developments and Plumbing

This amount comprises:

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

	<u>2017</u>	<u>2016</u>
Private developments	\$ 509,914	(28,459)
Plumbing	<u>192,794</u>	<u>(540,901)</u>
	\$ <u>702,708</u>	<u>(569,360)</u>

15. Depreciation and Amortization

This amount comprises:

	<u>2017</u>	<u>2016</u>
Depreciation		
Water system	\$ 9,717,975	9,493,638
Sewerage system	<u>2,761,575</u>	<u>3,772,011</u>
	\$ <u>12,479,550</u>	<u>13,265,649</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(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>2017</u>	<u>2016</u>
Benefit obligation		
Balance at beginning of year	\$ 133,943,758	128,797,451
Current service cost	2,466,953	2,481,994
Interest cost	10,199,788	9,783,240
Actuarial (gains) losses	(6,372,608)	487,270
Benefit payments	<u>(7,134,140)</u>	<u>(7,606,197)</u>
Balance at end of year	\$ <u>133,103,751</u>	<u>133,943,758</u>
Plan assets at fair value		
Balance at beginning of year	\$ 65,317,272	66,322,113
Actual return on plan assets	2,549,196	2,816,446
Employer contributions	1,200,000	3,862,210
Benefit payments	(7,134,140)	(7,606,197)
Administration expenses	<u>(43,900)</u>	<u>(77,300)</u>
Balance at end of year	\$ <u>61,888,428</u>	<u>65,317,272</u>
Liability on Statement of Financial Position	\$ 71,215,323	68,626,486
Benefit cost		
Current service cost	\$ 2,466,953	2,481,994
Interest on obligation	10,199,788	9,783,240
Expected return on plan assets	(4,832,140)	(4,994,884)
Administration expenses	<u>43,900</u>	<u>77,300</u>
	7,878,501	7,347,650
Other	<u>335,960</u>	<u>354,961</u>
Total included in income	\$ <u>8,214,461</u>	<u>7,702,611</u>
Statement of Other Comprehensive Income		
(Gain) loss from experience	\$ (6,372,608)	487,270
Expected return on plan assets	4,832,140	4,994,884
Actual return on plan assets	<u>(2,549,196)</u>	<u>(2,816,446)</u>
	\$ <u>(4,089,664)</u>	<u>2,665,708</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

16. Employee Benefits (continued)

	<u>2017</u>	<u>2016</u>
Statement of Financial Position Reconciliation		
Balance at beginning of year	\$ 68,626,486	62,475,338
Net periodic benefit income	7,878,501	7,347,650
Employer contributions	(1,200,000)	(3,862,210)
Effect of Statement of Other Comprehensive Income	<u>(4,089,663)</u>	<u>2,665,708</u>
	<u>\$ 71,215,323</u>	<u>68,626,486</u>

Principal actuarial assumptions at the statement of financial position date are as follows:

	<u>2017</u>	<u>2016</u>
Assumed discount rate	7.75%	7.75%
Expected rate of future salary increases	5.75%	5.75%
Expected rate of future pension increases	3.50%	3.50%

17. Government Grant

Government grant consists of funds received from the Government of Barbados to assist in the Authority's operational activities totalling \$24,113,508 (2016 - \$8,101,500).

18. Corporation Tax

Corporation tax expense comprises:

	<u>2017</u>	<u>2016</u>
Current tax expense	\$ -	-
Deferred tax (income) expense	(8,287,638)	1,294,950
Deferred tax not recogized	<u>8,287,638</u>	<u>(1,294,950)</u>
Corporation tax expense	<u>\$ -</u>	<u>-</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

18. Corporation Tax (continued)

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

	<u>2017</u>	<u>2016</u>
Accounting (loss) income before corporation taxes	\$ <u>(10,556,159)</u>	<u>12,940,003</u>
Tax at 25% (2016: 25%)	\$ 2,639,040	3,235,001
Tax effect of revenue that is not assessable in determining taxable profits	(6,028,377)	(2,025,275)
Depreciation on assets not subject to CCA	504,779	210,325
Deductions allowed	(125,000)	(125,000)
Deferred tax asset/(liability) not recognized	8,287,638	-
Benefit of tax loss utilized	<u>-</u>	<u>(1,294,950)</u>
	\$ <u><u>-</u></u>	<u><u>-</u></u>

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

	<u>2017</u>	<u>2016</u>
Deductible (taxable) temporary differences:		
Accounts receivable	\$ 66,141,359	55,223,618
Employee benefit plan	71,215,323	68,626,486
Property, plant and equipment	<u>99,802,102</u>	<u>100,356,758</u>
Net	237,158,784	224,206,862
Tax losses	<u>24,158,277</u>	<u>11,332,827</u>
	\$ <u><u>261,317,061</u></u>	<u><u>235,539,689</u></u>
Deferred taxes not recognised	\$ <u><u>65,329,265</u></u>	<u><u>58,884,922</u></u>

The tax losses expire during the years 2018 to 2026. 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.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

18. Corporation Tax (continued)

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:

Income Year	Opening Balance	Losses for the year	Expired	Ending Balance	Expiry Date
2008	2,947,557	-	(2,947,557)	-	2017
2009	8,385,270	-	-	8,385,270	2018
2017	-	<u>15,773,007</u>	-	<u>15,773,007</u>	2026
	\$ <u>11,332,827</u>	<u>15,773,007</u>	<u>(2,947,557)</u>	<u>24,158,277</u>	

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

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

19. Related Party Transactions

The key management personnel compensations are as follows:

	<u>2017</u>	<u>2016</u>
Directors	\$ 38,600	33,400
Senior Management	\$ 1,625,282	1,613,312

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.

	<u>2017</u>	<u>2016</u>
Government contributions	\$ <u>441,373,728</u>	<u>395,484,635</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

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 Authority, 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 negotiations 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 \$146 million (2016: \$152 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.

22. 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, 2017

(Expressed in Barbados dollars)

23. 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 analyse 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 term deposits

The Authority's cash and term deposits held of \$9,363,384 (2016: \$12,356,848) 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, 2017

(Expressed in Barbados dollars)

23. 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>2017</u>	<u>2016</u>
Commercial customers	\$ 15,427,708	14,790,875
Government receivables	12,293,878	11,786,404
Residential customers	21,462,786	20,576,832
Plumbing receivables	8,310,479	8,374,850
Private development receivables	19,312,981	19,061,555
Other receivables	<u>227,136</u>	<u>218,445</u>
	<u>\$ 77,034,968</u>	<u>74,808,961</u>

Impairment losses

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

	<u>Gross</u> <u>2017</u>	<u>Impairment</u> <u>2017</u>	<u>Gross</u> <u>2016</u>	<u>Impairment</u> <u>2016</u>
Current 0 – 60 days	\$ 10,569,808	-	10,264,382	-
Past due 61-180 days	5,458,705	5,134,904	5,300,970	-
Past due 181-360 days	5,523,588	5,523,588	5,363,978	-
More than 360 days	<u>55,482,868</u>	<u>55,482,867</u>	<u>53,879,631</u>	<u>55,223,618</u>
	<u>\$ 77,034,969</u>	<u>66,141,359</u>	<u>74,808,961</u>	<u>55,223,618</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

23. Financial Risk Management (continued)

Impairment losses (continued)

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

	<u>2017</u>	<u>2016</u>
Balance at April 1	\$ 55,223,618	74,808,961
Impairment loss recognised	<u>10,917,741</u>	<u>(19,585,343)</u>
Balance at March 31	\$ <u>66,141,359</u>	<u>55,223,618</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, 2017

(Expressed in Barbados dollars)

23. 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	1 to 12 Months	1 to 5 Years	Over 5 Years
March 31, 2017						
Accounts payable	\$	34,135,075	34,135,075	34,135,075	-	-
Customers' deposits		5,150,710	5,150,710	5,150,710	-	-
Salaries and wages		1,168,691	1,168,691	1,168,691	-	-
Other		11,051,416	11,051,416	11,051,416	-	-
Long term debt		<u>211,554,037</u>	<u>316,643,866</u>	<u>30,660,352</u>	<u>113,039,297</u>	<u>172,944,207</u>
		<u>263,059,929</u>	<u>368,149,758</u>	<u>82,166,244</u>	<u>113,039,297</u>	<u>172,944,207</u>
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		3,848,497	3,848,497	3,848,497	-	-
Long term debt		<u>216,666,338</u>	<u>343,910,558</u>	<u>27,885,738</u>	<u>108,845,352</u>	<u>207,179,469</u>
	\$	<u>256,109,403</u>	<u>383,353,623</u>	<u>67,328,803</u>	<u>108,845,352</u>	<u>207,179,469</u>

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

23. 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 USD 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>2017</u>	<u>2016</u>
Fixed rate instruments		
Financial assets	\$ -	5,822,934
Financial liabilities	187,515,488	193,111,601

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.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

23. 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	\$ 121,284,147
Average consumption	24,776,368
Average tariff per cubic meter	5
Total sewerage revenues	5,831,834

Strengthening

Average tariff per cubic meter (5% increase)

Impact:

Revised water revenue	127,348,354
Original revenues	121,284,147
Increase in water revenue	6,064,207
Increase in sewerage revenues	291,592
Original operating loss	(13,972,752)
Revised operating loss	(7,616,953)

Weakening

Average tariff per cubic meter (5% decrease)

Impact:

Original revenues	121,284,147
Revised revenues	115,219,940
Decrease in water revenue	(6,064,207)
Decrease in sewerage revenues	(291,592)
Original operating loss	(13,972,752)
Revised operating loss	(20,328,551)

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

24. Operating leases

The Authority leases vehicles under a number of operating leases. The leases typically run for a period of 4-5 years. The Authority has 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>2017</u>	<u>2016</u>
Less than one year	\$ 4,849,684	6,125,862
Between one and five years	<u>4,169,213</u>	<u>11,663,508</u>
	\$ <u>9,018,897</u>	<u>17,789,370</u>
Amount recognised in statement of comprehensive income		
	<u>2017</u>	<u>2016</u>
Lease expense	\$ 4,849,684	6,125,862
Between one and five years	<u>4,169,213</u>	<u>11,663,508</u>
	\$ <u>9,018,897</u>	<u>17,789,370</u>

25. Subsequent Events

For the purposes of these financial statements, subsequent events have been evaluated through to October 31, 2019, which is the date the financial statements were finalized.

Financial assistance

Over the period 2017 to 2019, the Government of Barbados provided the Authority with funds totalling \$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 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.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

25 Subsequent Events (continued)

Service Contracts (continued)

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.

Service Contracts

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 kilometres 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 Freighting 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.

On March 9, 2018 the Authority signed an agreement with Innotech Supply Authority 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 kilometres 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.

Barbados Water Authority

Notes to the Financial Statements (continued)

For the year ended March 31, 2017

(Expressed in Barbados dollars)

25 Subsequent Events (continued)

Service Contracts (continued)

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 Barbados Water Authority (BWA) 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 (SOEs) 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.

* Intercompany Transaction

Batch ID: KA05282020002IN
 Batch Comment:

Batch Frequency: Single Use
 Audit Trail Code: PMTRX00001305
 Posting Date: 0/0/0000

Control: Number 0 Batch Totals 0.00 Approved: Yes
 Actual: Number 4 Batch Totals 3,865,430.40 Approved By: cmapp
 Approval Date: 5/28/2020

Batch Error Messages:

Type	Voucher Number	Document Number	Document Date	Posting Date	Vendor ID	Workflow Status
	Currency ID	Rate Type ID	Exchange Table ID	Exchange Rate		
	Purchases Amount	Trade Discount	Freight Amount	Misc Amount	Tax Amount	Discount Avail Document Total
INV	00000000000019097	00326149	6/30/2019	6/30/2019	ANTI0001	Not Activated
BBD	613,140.00	0.00	0.00	0.00	107,299.50	0.00 720,439.50

Payment Information	Checkbook/Card	Payment Number	Document	Date	Functional Amt	Originating Amt
Cash				0/0/0000	0.00	
Check				0/0/0000	0.00	
Credit Card				0/0/0000	0.00	

General Ledger Distributions

Account	Account Description	Account Type	Debit Amount	Credit Amount
16060-00	South Coast Sewerage Project	PURCH	613,140.00	0.00
14020-00	A\R - Value Added Tax	TAXES	107,299.50	0.00
30010-00	Accounts Payable Control Accou	PAY	0.00	720,439.50
			720,439.50	720,439.50

Tax Detail Distributions

Tax Detail ID	Tax Detail Description	Tax Amount
VAT-P	VAT paid Purchases	107,299.50
		107,299.50

Type	Voucher Number	Document Number	Document Date	Posting Date	Vendor ID	Workflow Status
INV	00000000000019098	03989	11/1/2019	11/1/2019	PRRL0001	Not Activated
BBD	1,450,308.00	0.00	0.00	0.00	253,803.90	0.00 1,704,111.90

Payment Information	Checkbook/Card	Payment Number	Document	Date	Functional Amt	Originating Amt
Cash				0/0/0000	0.00	
Check				0/0/0000	0.00	
Credit Card				0/0/0000	0.00	

General Ledger Distributions

Account	Account Description	Account Type	Debit Amount	Credit Amount
16060-00	South Coast Sewerage Project	PURCH	1,450,308.00	0.00
14020-00	A\R - Value Added Tax	TAXES	253,803.90	0.00
30010-00	Accounts Payable Control Accou	PAY	0.00	1,704,111.90
			1,704,111.90	1,704,111.90

Tax Detail Distributions

Tax Detail ID	Tax Detail Description	Tax Amount
VAT-P	VAT paid Purchases	253,803.90
		253,803.90