



Financial Statements of

BARBADOS WATER AUTHORITY

March 31, 2014

BARBADOS WATER AUTHORITY

Table of Contents

	Pages
Auditors' Report to the Board of Directors	1- 2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Revenue and Expenses and Other Comprehensive Income	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 31



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 Board of Directors 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, 2014, the statements of changes in equity, revenue and expenses and other 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

To the Board of Directors 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, 2014 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, 2014 the Authority had an accumulated deficit of \$186,945,936. These factors, as set forth in Note 2, raise substantial doubt that the Authority will be able to continue as a going concern.

A handwritten signature in blue ink that reads 'KPMG' is positioned above the printed name of the firm.

Chartered Accountants
Bridgetown, Barbados
October 19, 2016

BARBADOS WATER AUTHORITY

Statement of Financial Position


As at March 31, 2014
with comparative figures for 2013

(Expressed in Barbados dollars)

	Notes	2014	Restated 2013	Restated 2012
Assets				
Plant, equipment and property	4	\$ 546,351,416	491,483,176	479,375,877
Less accumulated depreciation	4	<u>(213,789,425)</u>	<u>(203,625,284)</u>	<u>(193,591,091)</u>
Net plant, equipment and property		<u>332,561,991</u>	<u>287,857,892</u>	<u>285,784,786</u>
Other	8	451,657	580,413	594,186
Current Assets:				
Cash and term deposits	5	8,306,484	9,689,610	19,031,155
Prepaid expenses		638,033	727,999	676,150
Customers' accounts receivable	6	17,883,363	17,679,220	13,681,175
Work-in-progress - private developments		189,509	132,302	215,795
Inventories	7	6,759,344	8,475,233	7,649,218
Other	8	<u>18,566,730</u>	<u>18,884,414</u>	<u>13,616,979</u>
Total current assets		<u>52,343,463</u>	<u>55,588,778</u>	<u>54,870,472</u>
Total Assets		<u>\$ 385,357,111</u>	<u>344,027,083</u>	<u>341,249,444</u>
Owner's Equity and Liabilities				
Owner's Equity:				
Government of Barbados	17	\$ 252,335,930	216,951,512	210,116,182
Other comprehensive income		9,508,002	5,486,242	3,154,023
Deficit		<u>(186,945,936)</u>	<u>(189,122,254)</u>	<u>(182,293,935)</u>
Reserve – Asset valuation	4	<u>70,653,966</u>	<u>70,653,966</u>	<u>70,653,966</u>
Total owner's equity		<u>145,551,962</u>	<u>103,969,466</u>	<u>101,630,236</u>
Liabilities				
Long-term liabilities:				
Long-term loans	10	130,528,908	139,230,836	147,932,764
Employee benefits	13	46,474,115	48,165,329	52,065,005
Current Liabilities:				
Accounts payable		30,550,578	34,547,332	20,786,476
Customers' deposits	9	4,601,463	4,631,025	4,365,297
Other		4,357,915	4,201,054	4,188,782
Salaries and wages		516,742	580,113	578,956
Current portion of long-term loans	10	<u>22,775,428</u>	<u>8,701,928</u>	<u>9,701,928</u>
Total current liabilities		<u>62,802,126</u>	<u>52,661,452</u>	<u>39,621,439</u>
Commitments	17	-	-	-
Total Owner's Equity and Liabilities		<u>\$ 385,357,111</u>	<u>344,027,083</u>	<u>341,249,444</u>

See accompanying notes to financial statements.

Approved on behalf of the Board

 Chairman

 General Manager

 Financial Controller

BARBADOS WATER AUTHORITY

Statement of Changes in Equity

For the year ended March 31, 2014
with comparative figures for 2013

(Expressed in Barbados dollars)

	Notes	Government of Barbados	Deficit	Other Comprehensive Income	Fair Value Reserve	Total
Balance at April 1, 2012, as previously reported		\$ 210,116,182	(182,293,935)	(2,941,338)	70,653,966	98,476,213
Impact of change in accounting Policy - remeasurement of defined benefits	22	-	-	6,095,361	-	3,154,023
Balance at April 1, 2012, as restated		210,116,182	(182,293,935)	3,154,023	70,653,966	101,630,236
Contributions		6,835,330	-	-	-	6,835,330
Net loss for the year as previously reported		-	(6,880,149)	-	-	(6,880,149)
Impact of change in accounting Policy - remeasurement of defined benefits	22	-	51,830	2,332,219	-	2,384,049
Net loss for the year, restated		-	6,828,319	-	-	8,828,319
Balance at March 31, 2013, as restated		216,951,512	(189,122,254)	5,486,242	70,653,966	103,969,466
Contributions		35,384,418	-	-	-	35,384,418
Net income for the year		-	2,176,318	-	-	2,176,318
Remeasurement of defined benefits liability		-	-	4,021,760	-	4,021,760
Balance at March 31, 2014		\$ 252,335,930	(186,945,936)	9,508,002	70,653,966	145,551,962

See accompanying notes to financial statements.

BARBADOS WATER AUTHORITY

Statement of Revenue and Expenses and Other Comprehensive Income

For the year ended March 31, 2014
with comparative figures for 2013

(Expressed in Barbados dollars)

	Notes	2014	Restated 2013
Operating Revenues:			
Sale of water		\$ 106,095,021	112,409,726
Private developments and plumbing (net)	11	1,097,759	432,195
Sewerage		<u>7,153,622</u>	<u>5,487,764</u>
Total operating revenues		<u>114,346,402</u>	<u>118,329,685</u>
Operating Expenses:			
Operations and maintenance		63,617,247	70,546,200
Commercial		4,213,138	3,810,490
Administrative		23,502,063	26,502,135
Sewerage		5,149,763	5,586,865
Depreciation and amortization	12	<u>10,164,141</u>	<u>10,034,193</u>
Total operating expenses		<u>106,646,352</u>	<u>116,479,883</u>
Operating income		7,700,050	1,849,802
Interest expense		(10,013,066)	(9,059,668)
Pension expense	13	(5,992,291)	(6,172,244)
Interest income		21,238	57,200
Other income		<u>1,117,859</u>	<u>994,885</u>
Loss before government grant and corporation tax		(7,166,210)	(12,330,025)
Government grant	14	<u>9,342,528</u>	<u>5,501,706</u>
Income (loss) before corporation tax		2,176,318	(6,828,319)
Corporation tax	15	<u>-</u>	<u>-</u>
Net income (loss) for the year		\$ <u>2,176,318</u>	<u>(6,828,319)</u>
Other comprehensive income			
Items that would never be classified to profit and loss:			
Re-measurement of employee benefit obligation	22	<u>4,021,760</u>	<u>2,332,219</u>
Total comprehensive income		\$ <u>6,198,078</u>	<u>(4,496,100)</u>

See accompanying notes to financial statements

BARBADOS WATER AUTHORITY

Statement of Cash Flows

For the year ended March 31, 2014
with comparative figures for 2013

(Expressed in Barbados dollars)

	Notes	2014	Restated 2013
Cash Flow from Operating Activities:			
Income (loss) before corporation tax and other comprehensive income	\$	6,198,078	(4,496,100)
Adjustments for:			
Depreciation and amortization	12	10,164,141	10,034,193
Interest expense		10,013,066	9,059,668
Interest income		(21,238)	(57,200)
Assets written off		<u>70,642</u>	<u>9,415,860</u>
Operating income before working capital changes		26,424,689	23,956,421
Increase in customers' accounts receivable		(204,143)	(3,998,045)
Decrease (increase) in prepaid expenses		89,966	(51,849)
(Increase) decrease in work-in-progress - private developments		(57,207)	83,493
Decrease (increase) in inventories		1,715,889	(826,015)
Decrease (increase) in other assets		444,450	(5,266,998)
Decrease in employee benefits		(1,691,214)	(3,899,676)
(Decrease) increase in accounts payable		(3,996,754)	13,760,856
(Decrease) increase in customers' deposits		(29,562)	265,728
(Decrease) increase in salaries and wages liabilities		(63,371)	1,157
Increase in other liabilities		<u>156,861</u>	<u>12,272</u>
Cash from operating activities		22,789,604	24,037,344
Interest paid		<u>(10,013,066)</u>	<u>(9,059,668)</u>
Net cash from operating activities		<u>12,776,538</u>	<u>14,977,676</u>
Cash Flows from Investing Activities:			
Additions to plant, equipment and property - net	4	(54,938,882)	(21,523,159)
Interest received		23,228	70,536
Proceeds from sale of property, plant and equipment		-	-
Net cash used in investing activities		<u>(54,915,654)</u>	<u>(21,452,623)</u>
Cash Flows from Financing Activities:			
Payment of long-term loans		(8,701,928)	(9,701,928)
Issuance of long-term loans		14,073,500	-
Government contribution		<u>35,384,418</u>	<u>6,835,330</u>
Net cash from (used in) financing activities		<u>40,755,990</u>	<u>(2,866,598)</u>
Decrease in cash during the year		(1,383,126)	(9,341,545)
Cash and cash equivalents beginning of year		<u>9,689,610</u>	<u>19,031,155</u>
Cash and cash equivalents end of year	\$	<u><u>8,306,484</u></u>	<u><u>9,689,610</u></u>
Cash and cash equivalents comprise:			
Cash on hand and at bank	\$	7,051,379	8,719,099
Fixed deposits		<u>1,255,105</u>	<u>970,511</u>
	\$	<u><u>8,306,484</u></u>	<u><u>9,689,610</u></u>

See accompanying notes to financial statements

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

1. General

The 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 19, 2016.

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, 2014, the Authority had an accumulated deficit of \$186,945,936 (2013: \$189,122,254) 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. 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:

New, revised and amended standards and interpretations that became effective during the year

Certain new, revised and amended standards and interpretations which were in issue came into effect for the current financial year. The adoption of these standards, amendments and interpretations did not have any significant impact on amounts and disclosures in the financial statements except for:

- IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income. As a result of the amendments of IAS 1, items of other comprehensive income that may be reclassified to profit or loss in the future are presented separately from those that will never be reclassified to profit or loss. Also the title of the 'Statement of Comprehensive Income' has changed to 'Statement of Profit or Loss and Other Comprehensive Income', although an entity is still permitted to use other titles.

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(a) *Statement of compliance, continued*

- IAS 19, Employee Benefits requires all actuarial gains and losses to be recognized immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss. The expected return on plan assets recognized in profit or loss is to be calculated based on the rate used to discount the defined benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard.

As a result of the adoption of IAS 19, Employee Benefits (2011), the Authority has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment pension plans.

The Authority now determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability at the beginning of the annual period. Net interest also takes into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Actuarial gains and losses are now recognized immediately in other comprehensive income. Previously, the Authority recognized actuarial gains and losses using the corridor method, which requires that any cumulative unrecognized gains or losses exceeding 10% of the present value of the benefit obligation were recognized in profit or loss over the expected average remaining working lives of the employees affected.

The change in policy is applied retrospectively (see note 22).

(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 Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(d) *Use of estimates and judgements*

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 13 – Employee Benefits

(e) *Inventories*

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

(f) *Work-in-progress - private developments*

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

(g) *Recognition of 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.

(h) *Plant, equipment and property*

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 Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(i) 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.

(j) Taxation

Corporation tax in the statement of revenue and expenses for the year comprises current and deferred tax. Corporation tax is recognised in the statement of revenue and expenses 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 revenue and expenses, except to the extent that it relates to items previously charged or credited to equity.

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(k) *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 revenue and expenses and other comprehensive income consists of current service cost, interest cost, the expected return on any plan assets and actuarial gains and losses (see note 13).

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.

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(l) 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.

(m) 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 revenue and expenses and other 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.

(n) 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 form 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.

(o) Interest

Interest income and expense are recognized in the income statement using the effective interest method.

(p) 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.

(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, IFRS 15 and IAS 24 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 standards in the financial statements.

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014
(Expressed in Barbados dollars)

4. Plant, Equipment and Property at Cost

This comprises:

	WATER SYSTEM							SEWERAGE SYSTEM			C1
	Land & Land Rights	Structures, Improvements and Building	Potable Water Distribution Network	Transportation Equipment	Computer Equipment	Operations and Maintenance Equipment	Projects	BSTP	SCTP	Water	
Cost/Valuation											
Balance at April 1, 2012	\$ 8,243,005	11,489,341	303,684,025	7,329,568	4,514,110	1,403,539	3,901,705	88,093,678	508,499	25,840,244	
Additions	-	517,008	34,816	-	172,143	119,851	-	210,464	84,900	4,841,959	
Assets written off	-	-	-	-	-	-	-	-	-	(8,199,512)	
Disposals/transfers	-	386,982	19,159,040	-	487,079	188,485	-	-	362,029	(19,088,703)	
Balance at March 31, 2013	\$ 8,243,005	12,393,331	322,877,881	7,329,568	5,173,332	1,711,875	3,901,705	88,304,142	955,428	3,393,988	
Balance at April 1, 2013	\$ 8,243,005	12,393,331	322,877,881	7,329,568	5,173,332	1,711,875	3,901,705	88,304,142	955,428	3,393,988	
Additions	-	842,496	869,295	2,067,312	2,015	2,219,075	-	51,123	6,084	2,907,159	
Assets written off	-	-	-	-	(70,642)	-	-	-	-	-	
Disposals/transfers	-	(277,795)	1,837,137	-	-	-	-	-	-	(1,551,800)	
Balance at March 31, 2014	\$ 8,243,005	12,958,032	325,584,313	9,396,880	5,104,705	3,930,950	3,901,705	88,355,265	961,512	4,749,347	
Accumulated Depreciation											
Balance at April 1, 2013	\$ -	5,736,847	128,414,828	6,715,691	4,223,779	318,567	3,901,705	44,219,568	60,106	-	
Charge for the year	-	571,903	5,972,593	271,240	147,103	147,762	-	2,824,391	99,201	-	
Balance at March 31, 2013	\$ -	6,308,750	134,387,421	6,986,931	4,370,882	466,329	3,901,705	47,043,959	159,307	-	
Balance at April 1, 2013	\$ -	6,308,750	134,387,421	6,986,931	4,370,882	466,329	3,901,705	47,043,959	159,307	-	
Charge for the year	-	617,178	5,983,828	202,305	215,748	255,584	-	2,825,284	64,214	-	
Balance at March 31, 2014	\$ -	6,925,928	140,371,249	7,189,236	4,586,630	721,913	3,901,705	49,869,243	223,521	-	
Carrying Amounts											
At April 1, 2012	\$ 8,243,005	5,752,494	175,269,197	613,877	290,331	1,084,972	-	43,874,110	448,393	25,840,244	
At March 31, 2013	\$ 8,243,005	6,084,581	188,490,460	342,637	802,450	1,245,546	-	41,260,183	796,121	3,393,988	
At April 1, 2013	\$ 8,243,005	6,084,581	188,490,460	342,637	802,450	1,245,546	-	41,260,183	796,121	3,393,988	
At March 31, 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	

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

4. Plant, Equipment and Property at Cost, continued

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 \$253.7 million (2013: \$208.9 million).

5. Cash and Term Deposits

Cash and term deposits comprise:

	<u>2014</u>	<u>2013</u>
Cash and bank balances	\$ 7,051,379	8,719,099
Term deposits	<u>1,255,105</u>	<u>970,511</u>
	\$ <u>8,306,484</u>	<u>9,689,610</u>

Interest rates on term deposits range from 0.05% to 1.1% (2013: 1.05%).

6. Customers' Accounts Receivable

This amount comprises:

	<u>2014</u>	<u>2013</u>
Rates	\$ 36,430,705	36,388,102
Plumbing	8,894,252	8,838,468
Private developments	18,825,879	17,493,553
Septage	141,598	141,598
Sewage	63,176	66,013
Miscellaneous	<u>6,610</u>	<u>6,939</u>
	64,362,220	62,934,673
Less allowance for doubtful accounts	<u>(46,478,857)</u>	<u>(45,255,453)</u>
	\$ <u>17,883,363</u>	<u>17,679,220</u>

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

7. Inventories

This amount comprises:

	<u>2014</u>	<u>2013</u>
Materials and supplies	\$ 6,431,605	8,032,786
Sewerage	327,739	327,739
Small tools and spare parts	<u>-</u>	<u>114,708</u>
	<u>\$ 6,759,344</u>	<u>8,475,233</u>

8. Other Assets

This amount comprises:

	<u>2014</u>	<u>2013</u>
Loans due within one year:		
Advances to employees	\$ 287,136	358,775
Car/cycle loans	112,914	145,103
Training loans	-	12,000
Interest receivable	12,027	14,017
Other	127,647	26,647
VAT Recoverable	5,396,614	9,584,953
Receivable – Innotech	-	5,875,000
Due to Project Unit	(135,792)	(45,002)
In-house loans	571,849	571,849
In-house loans	<u>12,194,335</u>	<u>2,341,072</u>
	<u>\$ 18,566,730</u>	<u>18,884,414</u>
Car/cycle loans due after one year:		
Due within two to four years	\$ 338,743	435,301
Due within five to seven years	<u>112,914</u>	<u>145,112</u>
	<u>\$ 451,657</u>	<u>580,413</u>

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

9. Customers' Deposits

This amount comprises:

		<u>2014</u>	<u>2013</u>
Bonds deposits	\$	66,674	65,224
Customers' deposits		4,492,668	4,523,680
MTW Special Deposit		<u>42,121</u>	<u>42,121</u>
	\$	<u>4,601,463</u>	<u>4,631,025</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 percent 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.

10. Loans Payable

	(a) 150 Million <u>Bond Issue</u>	(b) Citicorp <u>Loan</u>	Total <u>2014</u>	Total <u>2013</u>
Balance beginning of year	\$ 123,894,216	-	123,894,216	133,596,144
Interest capitalized	<u>24,038,548</u>	-	<u>24,038,548</u>	<u>24,038,548</u>
Loans issued during year	147,932,764	-	147,932,764	157,634,692
Loan repayment	<u>(8,701,928)</u>	<u>14,073,500</u>	<u>(8,701,928)</u>	<u>(9,701,928)</u>
Current portion of loan	139,230,836	14,073,500	153,304,336	147,932,764
	<u>(8,701,928)</u>	<u>(14,073,500)</u>	<u>(22,775,428)</u>	<u>(8,701,928)</u>
	\$ <u>130,528,908</u>	<u>-</u>	<u>130,528,908</u>	<u>139,230,836</u>

(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.

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

10. Loans Payable, continued

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) This amount represents a loan of USD \$7,000,000 issued on November 7, 2013 maturing May 8, 2014. The interest rate on the loan is 8.91875%.

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

This amount comprises:

	<u>2014</u>	<u>Restated 2013</u>
<u>Private developments</u>		
Gross income	\$ 1,752,494	1,386,626
Less cost of related works	<u>(697,195)</u>	<u>(1,106,869)</u>
Operating revenue / (cost)	<u>1,055,299</u>	<u>279,757</u>
<u>Plumbing</u>		
Gross income	843,306	1,017,062
Less cost of related works	<u>(800,846)</u>	<u>(864,624)</u>
Operating revenue	<u>42,460</u>	<u>152,438</u>
Net operating (cost) revenue	<u>\$ 1,097,759</u>	<u>432,195</u>

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

12. Depreciation and Amortization

This amount comprises:

	<u>2014</u>	<u>Restated 2013</u>
<u>Depreciation</u>		
Water system	\$ 7,274,643	7,146,804
Sewerage system	<u>2,889,498</u>	<u>2,887,389</u>
	<u>\$ 10,164,141</u>	<u>10,034,193</u>

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

13. 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>2014</u>	<u>Restated 2013</u>
Benefit obligation		
Balance at beginning of year	\$ 114,332,153	112,106,838
Current service cost	1,874,761	1,915,621
Interest cost	8,725,964	8,560,146
Actuarial (gains) losses	(6,030,381)	(3,028,158)
Benefit payments	<u>(5,352,903)</u>	<u>(5,222,294)</u>
Balance at end of year	\$ <u>113,549,594</u>	<u>114,332,153</u>
Plan assets at fair value		
Balance at beginning of year	\$ 66,166,824	60,041,833
Actual return on plan assets	3,039,758	4,041,205
Employer contributions	3,300,000	7,387,500
Benefit payments	(5,352,903)	(5,222,294)
Administration expenses	<u>(78,200)</u>	<u>(81,420)</u>
Balance at end of year	\$ <u>67,075,479</u>	<u>66,166,824</u>
Liability on Statement of Financial Position	\$ <u>(46,474,115)</u>	<u>(48,165,329)</u>

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

13. Employee Benefits, continued

	<u>2014</u>	<u>Restated 2013</u>
Benefit cost		
Current service cost	\$ 1,874,761	1,915,621
Interest on obligation	8,725,964	8,560,146
Expected return on plan assets	(5,048,379)	(4,737,144)
Administration expenses	<u>78,200</u>	<u>81,420</u>
	5,630,546	5,820,043
Other	<u>361,745</u>	<u>352,201</u>
Total included in income	\$ <u>5,992,291</u>	<u>6,172,244</u>
Statement of Other Comprehensive Income		
(Gain) loss from change in assumptions	\$ -	3,958,317
(Gain) loss from experience	(6,030,381)	(6,986,475)
Expected return on plan assets	5,048,379	4,737,144
Actual return on plan assets	<u>(3,039,758)</u>	<u>(4,041,205)</u>
	\$ <u>(4,021,760)</u>	<u>(2,332,219)</u>
Statement of Financial Position Reconciliation		
Balance at beginning of year	\$ (48,165,329)	(52,065,005)
Net periodic benefit (cost) income	(5,630,546)	(5,820,043)
Employer contributions	3,300,000	7,387,500
Effect of Statement of Other Comprehensive Income	<u>4,021,760</u>	<u>2,332,219</u>
	\$ <u>(46,474,115)</u>	<u>(48,165,329)</u>

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

	<u>2014</u>	<u>Restated 2013</u>
Assumed discount rate	7.75%	7.75%
Expected rate of future salary increases	5.75%	6.50%
Expected rate of future pension increases	3.5%	3.5%

14. Government grant

Government grant consists of funds received from the Government of Barbados to assist in the Authority's operational activities.

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

15. Corporation Tax

Corporation tax expense comprises:

	<u>2014</u>	<u>2013</u>
Current tax expense	\$ -	-
Benefit of tax loss utilized	-	-
Corporation tax expense	\$ -	-

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

	<u>2014</u>	<u>Restated 2013</u>
Accounting income (loss) before corporation taxes	\$ <u>2,176,318</u>	<u>(6,828,319)</u>
Tax at 25% (2013: 25%)	\$ 544,080	(1,707,080)
Tax effect of revenue that is not assessable in determining taxable profits	(2,338,639)	(1,378,931)
Tax effect of allowable revenue	3,504	6,838
Tax effect of expenses not allowable for tax purposes	4,344,959	5,024,062
Tax effect of expenses allowable for tax purposes	(825,000)	(1,846,875)
Benefit of loss utilized	<u>(1,728,904)</u>	<u>(98,014)</u>
	\$ -	-

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

15. Corporation Tax, continued

Unrecognised Deferred Tax Assets

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

	<u>2014</u>	<u>2013</u>
Deductible (taxable) temporary differences:		
Accounts receivable	\$ 46,478,857	45,255,453
Employee benefit plan	46,474,115	53,703,402
Property, plant and equipment	<u>93,318,071</u>	<u>83,153,928</u>
Net	186,271,043	182,112,783
Tax losses	<u>40,014,204</u>	<u>51,894,235</u>
	<u>\$ 226,285,247</u>	<u>234,007,018</u>
Deferred taxes not recognized	<u>\$ 56,571,312</u>	<u>58,501,755</u>

The tax losses expire between 2014 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.

<u>Year of Income</u>	<u>Amount Brought Forward</u>	<u>Losses Utilised</u>	<u>Losses Incurred</u>	<u>Losses Expired</u>	<u>Amount Carried Forward</u>	<u>Expiry Date</u>
2005	11,880,031	(6,915,616)	-	(4,964,415)	-	2014
2007	28,681,377	-	-	-	28,681,377	2016
2008	2,947,557	-	-	-	2,947,557	2017
2009	8,385,270	-	-	-	8,385,270	2018
	<u>\$ 51,894,235</u>	<u>(6,915,616)</u>	<u>-</u>	<u>(4,964,415)</u>	<u>40,014,204</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 above losses 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.

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

16. Related Party Transactions

The following related party transactions occurred during the year:

Transactions with Key Management Personnel

The key management personnel compensations are as follows:

		<u>2014</u>	<u>2013</u>
Directors	\$	42,800	44,400
Senior Management	\$	1,534,692	1,368,531

17. Government of Barbados

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

18. 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.

On March 31, 2013, the Government of Barbados signed a credit agreement with the Inter- American Development Bank in the amount of \$100 million. This money is to be used for the modernization of the Barbados Water Authority.

(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. It is not clear when this case will be settled. In addition, it is not clear what the financial implications are, if the Authority was found to be negligent. No amounts have been accrued in the financial statements relating to this lawsuit.

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

18. Commitments and Contingencies, continued

(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 \$161.1 million (2013: \$166.8 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.

19. 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 Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

20. 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:

	<u>2014</u>	<u>2013</u>
Cash and term deposits	\$ 8,306,484	9,689,610
Customers' accounts receivable	\$ 17,883,363	17,679,220
Other assets	\$ 18,566,730	18,884,414

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

20. Financial Risk Management, continued

Cash and term deposits

The Authority's cash and term deposits held of \$8,306,484 (2013: \$9,689,610) 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.

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 customers' accounts receivable at the end of the reporting period by type of customer was as follows:

	<u>2014</u>	<u>Restated 2013</u>
Commercial customers	\$ 13,069,366	12,119,121
Government receivables	5,955,020	3,153,185
Residential customers	17,406,319	21,115,795
Plumbing Receivables	8,894,252	8,838,468
Private Development Receivables	18,825,879	17,493,553
Other Receivables	<u>211,384</u>	<u>214,551</u>
	<u>\$ 64,362,220</u>	<u>62,934,673</u>

Impairment losses

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

	<u>Gross 2014</u>	<u>Impairment 2014</u>	<u>Gross 2013</u>	<u>Impairment 2013</u>
Current 0 – 60 days	\$ 8,069,208	-	8,846,337	-
Past due 61-180 days	5,260,887	-	4,548,274	-
Past due 181-360 days	4,824,005	-	3,452,968	-
More than 360 days	<u>46,208,120</u>	<u>46,478,857</u>	<u>46,087,094</u>	<u>45,255,453</u>
	<u>\$ 64,362,220</u>	<u>46,478,857</u>	<u>62,934,673</u>	<u>45,255,453</u>

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

20. Financial Risk Management, continued

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

	<u>2014</u>	<u>Restated 2013</u>
Balance as at April 1	\$ 45,255,453	41,365,646
Impairment loss recognised	<u>1,223,404</u>	<u>3,889,807</u>
Balance as at March 31	\$ <u>46,478,857</u>	<u>45,255,453</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 Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

20. Financial Risk Management, continued

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, 2014						
Accounts payable	\$ 30,550,578	30,550,578	30,550,578	-	-	-
Customers' deposits	4,601,463	4,601,463	-	4,601,463	-	-
Other	4,357,915	4,357,915	2,297,786	-	-	2,060,129
Salaries and wages	516,742	516,742	516,742	-	-	-
Long-term Debt	153,304,336	226,784,940	22,462,158	8,262,480	62,836,617	133,223,685
	\$ <u>193,331,034</u>	<u>266,811,638</u>	<u>55,827,264</u>	<u>12,863,943</u>	<u>62,836,617</u>	<u>135,283,814</u>
March 31, 2013						
Accounts payable	\$ 34,547,332	34,547,332	34,547,332	-	-	-
Customers' deposits	4,631,025	4,631,025	-	4,631,025	-	-
Other	4,201,054	4,201,054	2,140,925	-	-	2,060,129
Salaries and wages	580,113	580,113	580,113	-	-	-
Long-term Debt	147,932,764	229,867,290	8,641,014	8,514,836	64,241,978	148,469,462
	\$ <u>191,892,288</u>	<u>273,826,814</u>	<u>45,909,384</u>	<u>13,145,861</u>	<u>64,241,978</u>	<u>150,529,591</u>

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

20. 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.) \$150,000,000 loan which as disclosed in note 10, is charged interest on the outstanding balance at a rate of 5.25%.

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>2014</u>	<u>Restated</u> <u>2013</u>
Fixed Rate Instruments		
Financial assets	\$ 1,255,105	970,511
Financial Liabilities	\$ 153,304,336	147,932,764
Variable Rate Instruments		
Financial assets	\$ -	-
Financial Liabilities	\$ -	-

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

20. Financial Risk Management, continued

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.

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.

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

21. Subsequent Events

For the purposes of these financial statements, subsequent events have been evaluated through October 19, 2016, which is the date the financial statements were finalized.

Financial Assistance

Over the period 2014 to 2015, the Government of Barbados provided the Authority with funds totaling \$135 million to finance capital expenditure and operations.

Raising of Financing from Canadian Commercial Corporation

On June 26, 2015, the Government of Barbados signed a credit agreement with the Canadian Commercial Corporation in amount of US \$67.9 million. This money is being used to finance the Island wide meter replacement program and the modernization of the information systems such as the customer information system, work management system, financial information system and a procurement and inventory management system.

Raising of Financing from CitiCorp

On November 7th 2014 the Authority received a loan in the form of a promissory note of USD \$7,000,000 at an interest rate of 8.91875% with a maturity date of May 6th 2014.

Lease Plus Agreement

On July 4, 2014, the Authority signed a deed of authorization, guarantee and charge ("the Deed") as Guarantor with Innotech Services Limited, the Contractor, and Innotech Aquaserve Limited the Obligor. The Authority charged by way of legal mortgage the rights, title and interest of the premises at Lot E, the Pine St Michael. The legal and beneficial title of the premises is vested in Innotech Aquaserve Limited acting as the Landlord pursuant to a conveyance made between the Authority and Innotech Aquaserve Limited.

On January 30, 2014, the Government of Barbados has provided a letter of comfort with regards to the financing, construction and maintenance agreements to be entered into between the Authority and Innotech Aquaserve Limited which are intended to be financed by a dual-currency (USD/BBD) Bond Issue by Innotech Aquaserve Limited. In the equivalent aggregate principal amount (including capitalized interest thereon) of \$65 million (US\$32.5million)

On March 26, 2014 the Authority entered into a lease agreement for fifteen years with Innotech Aquaserve Limited to lease a headquarters complex including offices and ancillary facilities under a Private Public Partnership arrangement. The monthly lease payments are \$701,286 commencing November 2015 and the monthly service charge payments are about \$200,000 commencing September 2015.

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.

BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2014

(Expressed in Barbados dollars)

22. Prior Year Adjustment

Effective April 1, 2013, the Authority adopted IAS 19 Revised (Employee Benefits). The change in accounting policy was applied retrospectively. The effects of the adjustments are detailed below:

At March 31, 2013:

		<u>As Previously Reported</u>	<u>Restatement</u>	<u>As Restated</u>
<i>Balance Sheet</i>				
Employee benefits	\$	53,703,402	5,538,073	48,165,329
<i>Income Statement</i>				
Pension expense	\$	6,224,075	(51,830)	6,172,245
<i>Equity</i>				
Deficit	\$	(189,174,084)	51,830	(189,122,254)
Other Comprehensive income	\$	-	5,486,243	5,486,243

At March 31, 2012:

		<u>As Previously Reported</u>	<u>Restatement</u>	<u>As Restated</u>
<i>Balance Sheet</i>				
Employee benefits	\$	55,219,028	(3,154,023)	52,065,005
<i>Income Statement</i>				
Pension expense	\$	8,366,547	(1,473,935)	6,892,612
<i>Equity</i>				
Deficit	\$	(182,293,935)	-	(182,293,935)
Other Comprehensive income	\$	-	3,154,023	3,154,023