

Financial Statements of

**BARBADOS WATER AUTHORITY**

March 31, 2012

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# **BARBADOS WATER AUTHORITY**

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**KPMG**

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**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, 2012, the statements of changes in equity, revenue and expenses, 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.



**Independent Auditors' Report**  
**To the Board of Directors of Barbados Water Authority, continued**

**Auditors' Responsibility, continued**

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. 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, 2012, 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, 2012 the Authority had an accumulated deficit of \$182,293,935. These factors, as set forth in Note 2, raise substantial doubt that the Authority will be able to continue as a going concern.

*KPMG*

Chartered Accountants  
Bridgetown, Barbados  
October 19, 2016

# BARBADOS WATER AUTHORITY

## Statement of Financial Position

As at March 31, 2012  
with comparative figures for 2011

(Expressed in Barbados dollars)

	Notes	2012	2011
<b>Assets</b>			
Plant, equipment and property	4	\$ 479,375,877	462,154,864
Less accumulated depreciation	4	<u>(193,591,091)</u>	<u>(183,810,835)</u>
<b>Net plant, equipment and property</b>		<u>285,784,786</u>	<u>278,344,029</u>
Other	8	594,186	538,227
<b>Current Assets:</b>			
Cash and term deposits	5	19,031,155	37,799,081
Prepaid expenses		676,150	584,444
Customers' accounts receivable	6	13,681,175	14,618,200
Work-in-progress - private developments		215,795	70,234
Inventories	7	7,649,218	7,897,837
Other	8	<u>13,616,979</u>	<u>4,009,129</u>
<b>Total current assets</b>		<u>54,870,472</u>	<u>64,978,925</u>
<b>Total Assets</b>		<u>\$ 341,249,444</u>	<u>343,861,181</u>
<b>Owner's Equity and Liabilities</b>			
<b>Owner's Equity:</b>			
Government of Barbados	17	\$ 210,116,182	210,116,182
Deficit		(182,293,935)	(178,780,205)
Reserve – Asset valuation	4	<u>70,653,966</u>	<u>70,653,966</u>
<b>Total owner's equity</b>		<u>98,476,213</u>	<u>101,989,943</u>
<b>Liabilities</b>			
<b>Long-term liabilities:</b>			
Long-term loans	10	147,932,764	156,634,692
Employee benefits	13	55,219,028	56,959,410
<b>Current Liabilities:</b>			
Bank overdraft	5	-	183,185
Accounts payable		20,786,476	11,080,321
Customers' deposits	9	4,365,297	3,507,971
Other		4,188,782	4,215,268
Salaries and wages		578,956	588,463
Current portion of long-term loans	10	<u>9,701,928</u>	<u>8,701,928</u>
<b>Total current liabilities</b>		<u>39,621,439</u>	<u>28,277,136</u>
Commitments	17	-	-
<b>Total Owner's Equity and Liabilities</b>		<u>\$ 341,249,444</u>	<u>343,861,181</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, 2012  
with comparative figures for 2011

*(Expressed in Barbados dollars)*

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	<u>Notes</u>	<u>Government of Barbados</u>	<u>Deficit</u>	<u>Fair Value Reserve</u>	<u>Total</u>
Balance at March 31, 2010		\$ 213,665,047	(184,711,510)	70,653,966	99,607,503
Contribution	17	(3,548,865)	-	-	(3,548,865)
Net income for the year		<u>-</u>	<u>5,931,305</u>	<u>-</u>	<u>5,931,305</u>
Balance at March 31, 2011		210,116,182	(178,780,205)	70,653,966	101,989,943
Net loss for the year		<u>-</u>	<u>(3,513,730)</u>	<u>-</u>	<u>(3,513,730)</u>
Balance at March 31, 2012		\$ <u>210,116,182</u>	<u>(182,293,935)</u>	<u>70,653,966</u>	<u>98,476,213</u>

*See accompanying notes to financial statements.*

# BARBADOS WATER AUTHORITY

## Statement of Revenue and Expenses

For the year ended March 31, 2012  
with comparative figures for 2011

*(Expressed in Barbados dollars)*

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	<u>Notes</u>	<u>2012</u>	<u>2011</u>
<b>Operating Revenues:</b>			
Sale of water		\$ 109,333,029	113,445,409
Private developments and plumbing (net)	11	(403)	(395,768)
Sewerage		<u>3,539,658</u>	<u>4,653,031</u>
<b>Total operating revenues</b>		<u>112,872,284</u>	<u>117,702,672</u>
<b>Operating Expenses:</b>			
Operations and maintenance		60,031,415	53,703,921
Commercial		3,678,001	3,706,086
Administrative		18,245,532	19,898,246
Sewerage		6,539,950	6,263,809
Depreciation and amortization	12	<u>9,780,256</u>	<u>9,784,179</u>
<b>Total operating expenses</b>		<u>98,275,317</u>	<u>93,356,241</u>
Operating income		14,596,967	24,346,431
Interest expense		(8,682,373)	(9,113,191)
Pension expense	13	(8,366,547)	(9,481,991)
Interest income		85,329	84,981
Gain on sale of property, plant and equipment		23,089	-
Other (loss) income		<u>(1,170,195)</u>	<u>95,075</u>
(Loss) income before corporation tax		(3,513,730)	5,931,305
Corporation tax	15	<u>-</u>	<u>-</u>
Net (loss) income for the year		\$ <u>(3,513,730)</u>	<u>5,931,305</u>

*See accompanying notes to financial statements*



# BARBADOS WATER AUTHORITY

## Statement of Cash Flows

For the year ended March 31, 2012  
with comparative figures for 2011

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
<b>Cash Flow from Operating Activities:</b>			
(Loss) income before corporation tax	\$	(3,513,730)	5,931,305
Adjustments for:			
Depreciation and amortization	12	9,780,256	9,784,179
Interest expense		8,682,373	9,113,191
Interest income		(85,329)	(84,981)
Gain on sale of property, plant and equipment		<u>(23,089)</u>	<u>-</u>
<b>Operating income before working capital changes</b>		14,840,481	24,743,694
Decrease in customers' accounts receivable		937,025	1,055,074
Increase in prepaid expenses		(91,706)	(129,733)
Increase in work-in-progress - private developments		(145,561)	(20,824)
Decrease (increase) in inventories		248,619	(838,041)
(Increase) decrease in other assets		(9,663,487)	760,398
Decrease in employee benefits		(1,740,382)	(1,582,974)
Increase (decrease) in accounts payable		9,706,155	(804,982)
Increase (decrease) in customers' deposits		857,326	(118,470)
Decrease in salaries and wages liabilities		(9,507)	(2,165)
(Decrease) increase in other liabilities		<u>(26,486)</u>	<u>221,438</u>
<b>Cash from operating activities</b>		14,912,477	23,283,415
Interest paid		<u>(8,682,373)</u>	<u>(9,113,191)</u>
<b>Net cash from operations</b>		<u>6,230,104</u>	<u>14,170,224</u>
<b>Cash Flows from Investing Activities:</b>			
Additions to plant, equipment and property - net	4	(17,221,013)	(14,265,282)
Interest received		85,007	84,347
Proceeds from sale of property, plant and equipment		<u>23,089</u>	<u>-</u>
<b>Net cash used in investing activities</b>		<u>(17,112,917)</u>	<u>(14,180,935)</u>
<b>Cash Flows from Financing Activities:</b>			
Payment of long-term loans		(8,701,928)	(8,701,928)
Issuance of long-term loans		1,000,000	-
Government contribution		<u>-</u>	<u>(3,548,865)</u>
<b>Net cash used in financing activities</b>		<u>(7,701,928)</u>	<u>(12,250,793)</u>
Decrease in cash during the year		(18,584,741)	(12,261,504)
Cash and cash equivalents beginning of year		<u>37,615,896</u>	<u>49,877,400</u>
Cash and cash equivalents end of year	\$	<u>19,031,155</u>	<u>37,615,896</u>
Cash and cash equivalents comprise:			
Bank overdraft	\$	-	(183,185)
Cash on hand and at bank		16,086,335	34,879,268
Fixed deposits		<u>2,944,820</u>	<u>2,919,813</u>
	\$	<u>19,031,155</u>	<u>37,615,896</u>

See accompanying notes to financial statements

# BARBADOS WATER AUTHORITY

## Notes to Financial Statements

March 31, 2012

*(Expressed in Barbados dollars)*

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### 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, 2012, the Authority had an accumulated deficit of \$182,293,935 (2011: \$178,780,205) 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:

#### (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, 2012

(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, 2012

*(Expressed in Barbados dollars)*

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### 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, 2012

(Expressed in Barbados dollars)

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## 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 recognition of actuarial gains and losses is determined separately for each defined benefit plan. Unrecognised actuarial gains or losses are recognised in income over five years, following the year in which they arose.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service costs are recognised as an expense immediately.

The present value of the defined benefit obligations and the related service costs are calculated by a qualified actuary using the projected unit credit method. The amount charged to the statement of revenue and expenses consists of current service cost, interest cost, the expected return on any plan assets and actuarial gains and losses (see note 13).

### (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. 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 Financial Statements

March 31, 2012

(Expressed in Barbados dollars)

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## 3. Significant Accounting Policies, continued

### (n) *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.

### (o) *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. 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.

### (p) *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.

### (q) *Interest*

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

### (r) *Foreign currency transactions*

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

# BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2012

*(Expressed in Barbados dollars)*

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## 3. Significant Accounting Policies, continued

### (s) *New standards and interpretations not yet 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, IAS 24 and IAS 19 Revised 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, 2012  
(Expressed in Barbados dollars)

## 4. Plant, Equipment and Property at Cost

This comprises:

	WATER SYSTEM							SEWERAGE SYSTEM			CAPITAL WORK-IN-PROGRESS			
	Land & Land Rights	Structures, Improvements and Building	Potable Water Distribution Network	Transportation Equipment	Computer Equipment	Operations and Maintenance Equipment	Projects	BSTP	SCTP	Water	Sewerage	Other	Total	
<b>Cost/Valuation</b>														
Balance at April 1, 2010	\$ 8,243,005	10,959,744	286,816,287	7,329,568	4,224,515	708,214	3,901,705	87,798,968	366,903	20,238,243	14,328,285	2,974,145	447,889,582	
Additions	-	187,835	7,122,649	-	137,641	366,720	-	19,688	82,713	3,482,885	736,182	2,175,661	14,311,974	
Revaluation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposals/transfers	-	-	-	-	-	-	-	-	-	-	-	(46,692)	(46,692)	
Balance at March 31, 2011	\$ 8,243,005	11,147,579	293,938,936	7,329,568	4,362,156	1,074,934	3,901,705	87,818,656	449,616	23,721,128	15,064,467	5,103,114	462,154,864	
Balance at March 31, 2011	\$ 8,243,005	11,147,579	293,938,936	7,329,568	4,362,156	1,074,934	3,901,705	87,818,656	449,616	23,721,128	15,064,467	5,103,114	462,154,864	
Additions	-	341,762	9,745,089	-	151,954	328,605	-	275,022	58,883	2,119,116	665,962	3,534,620	17,221,013	
Revaluation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposals/transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at March 31, 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	15,730,429	8,637,734	479,375,877	
<b>Accumulated Depreciation</b>														
Balance at April 1, 2010	\$ -	4,709,290	116,914,115	5,757,975	4,050,105	112,851	3,901,705	38,563,437	17,178	-	-	-	174,026,656	
Charge for the year	-	506,282	5,752,207	513,932	66,499	85,682	-	2,841,616	17,961	-	-	-	9,784,179	
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposals/transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at March 31, 2011	\$ -	5,215,572	122,666,322	6,271,907	4,116,604	198,533	3,901,705	41,405,053	35,139	-	-	-	183,810,835	
Balance at April 1, 2011	\$ -	5,215,572	122,666,322	6,271,907	4,116,604	198,533	3,901,705	41,405,053	35,139	-	-	-	183,810,835	
Charge for the year	-	521,275	5,748,506	443,784	107,175	120,034	-	2,814,515	24,967	-	-	-	9,780,256	
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposals/transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at March 31, 2012	\$ -	5,736,847	128,414,828	6,715,691	4,223,779	318,567	3,901,705	44,219,568	60,106	-	-	-	193,591,091	
<b>Carrying Amounts</b>														
At April 1, 2010	\$ 8,243,005	6,250,454	169,902,172	1,571,593	174,410	595,363	-	49,235,531	349,725	20,238,243	14,328,285	2,974,145	273,862,926	
At March 31, 2011	\$ 8,243,005	5,932,007	171,272,614	1,057,661	245,552	876,401	-	46,413,603	414,477	23,721,128	15,064,467	5,103,114	278,344,029	
At April 1, 2011	\$ 8,243,005	5,932,007	171,272,614	1,057,661	245,552	876,401	-	46,413,603	414,477	23,721,128	15,064,467	5,103,114	278,344,029	
At March 31, 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	15,730,429	8,637,734	285,784,786	



# BARBADOS WATER AUTHORITY

## Notes to Financial Statements

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*(Expressed in Barbados dollars)*

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#### 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 was 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 \$209.6 million (2011: \$205.8 million).

#### 5. Cash and Term Deposits

Cash and term deposits comprise:

	<u>2012</u>	<u>2011</u>
Bank overdraft	\$ -	(183,185)
Cash and bank balances	16,086,335	34,879,268
Term deposits	<u>2,944,820</u>	<u>2,919,813</u>
	<u>19,031,155</u>	<u>37,799,081</u>
	\$ <u>19,031,155</u>	<u>37,615,896</u>

Interest rates on term deposits range from 2.7% to 3.0% (2011: 2.7% to 3.0%).

# BARBADOS WATER AUTHORITY

Notes to Financial Statements

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## 6. Customers' Accounts Receivable

This amount comprises:

	<u>2012</u>	<u>2011</u>
Rates	\$ 29,492,809	30,783,423
Plumbing	8,708,573	7,866,480
Private developments	16,631,089	16,123,196
Septage	141,598	141,598
Sewage	66,013	376,122
Miscellaneous	<u>6,739</u>	<u>6,701</u>
	55,046,821	55,297,520
Less allowance for doubtful accounts	<u>(41,365,646)</u>	<u>(40,679,320)</u>
	\$ <u>13,681,175</u>	<u>14,618,200</u>

## 7. Inventories

This amount comprises:

	<u>2012</u>	<u>2011</u>
Materials and supplies	\$ 7,232,300	7,714,292
Sewerage	252,052	180,676
Small tools and spare parts	<u>164,866</u>	<u>2,869</u>
	\$ <u>7,649,218</u>	<u>7,897,837</u>

# BARBADOS WATER AUTHORITY

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## 8. Other Assets

This amount comprises:

	<u>2012</u>	<u>2011</u>
Loans due within one year:		
Advances to employees	\$ 188,741	80,268
Car/cycle loans	148,547	124,278
Training loans	12,000	12,000
Interest receivable	27,353	27,031
Other	27,120	27,120
VAT Recoverable	7,035,051	3,166,583
Receivable - Innotech	5,875,000	-
Due to Project Unit	(268,682)	-
In-house loans	<u>571,849</u>	<u>571,849</u>
	\$ <u>13,616,979</u>	<u>4,009,129</u>
Car/cycle loans due after one year:		
Due within two to four years	\$ 445,640	372,833
Due within five to seven years	<u>148,546</u>	<u>165,394</u>
	\$ <u>594,186</u>	<u>538,227</u>

## 9. Customers' Deposits

This amount comprises:

	<u>2012</u>	<u>2011</u>
Bonds deposits	\$ 26,882	37,502
Customers' deposits	4,296,294	3,428,348
MTW Special Deposit	<u>42,121</u>	<u>42,121</u>
	\$ <u>4,365,297</u>	<u>3,507,971</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.

# BARBADOS WATER AUTHORITY

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## 10. Loans Payable

	(a) 150 Million Bond Issue	(b) Citicorp Loan	Total 2012	Total 2011
Balance beginning of year	\$ 141,298,072	-	141,298,072	150,000,000
Interest capitalized	<u>24,038,548</u>	<u>-</u>	<u>24,038,548</u>	<u>24,038,548</u>
Loans issued during year	165,336,620	-	165,336,620	174,038,548
Loan repayment	<u>(8,701,928)</u>	<u>1,000,000</u>	<u>(8,701,928)</u>	<u>-</u>
Current portion of loan	156,634,692	1,000,000	157,634,692	165,336,620
	<u>(8,701,928)</u>	<u>(1,000,000)</u>	<u>(9,701,928)</u>	<u>(8,701,928)</u>
	<u>\$ 147,932,764</u>	<u>-</u>	<u>147,932,764</u>	<u>156,634,692</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.

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) On October 28, 2011 the Authority received a loan of \$1,000,000 at an interest rate of 3.84% with a maturity date of July 24, 2012.

# BARBADOS WATER AUTHORITY

Notes to Financial Statements

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(Expressed in Barbados dollars)

## 11. Operating Revenue - Private Developments and Plumbing (net)

This amount comprises:

	<u>2012</u>	<u>2011</u>
<b><u>Private developments</u></b>		
Gross income	\$ 852,971	1,143,521
Less cost of related works	<u>(854,412)</u>	<u>(1,919,716)</u>
<b>Operating revenue / (cost)</b>	<u>(1,441)</u>	<u>(776,195)</u>
<b><u>Plumbing</u></b>		
Gross income	905,122	1,674,357
Less cost of related works	<u>(904,084)</u>	<u>(1,293,930)</u>
<b>Operating revenue</b>	<u>1,038</u>	<u>380,427</u>
<b>Net operating (cost) revenue</b>	<u>\$ (403)</u>	<u>(395,768)</u>

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

## 12. Depreciation and Amortization

This amount comprises:

	<u>2012</u>	<u>2011</u>
<b><u>Depreciation</u></b>		
Water system	\$ 6,940,774	6,924,602
Sewerage system	<u>2,839,482</u>	<u>2,859,577</u>
	<u>\$ 9,780,256</u>	<u>9,784,179</u>

# BARBADOS WATER AUTHORITY

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(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>2012</u>	<u>2011</u>
Present value of funded obligations	\$ 112,106,838	112,029,005
Fair value of plan assets	<u>(60,041,832)</u>	<u>(50,654,322)</u>
	52,065,006	61,374,683
Unrecognised actuarial gains (losses)	<u>3,154,022</u>	<u>(4,415,273)</u>
Net liability in the statement of financial position	\$ <u>55,219,028</u>	<u>56,959,410</u>

Movements in the net liability recognised in the statement of financial position are as follows:

Net liability at beginning of year	\$ 56,959,410	58,542,384
Net expense recognised in the income statement	8,366,547	9,481,991
Other	(356,929)	(215,544)
Contributions	<u>(9,750,000)</u>	<u>(10,849,421)</u>
Net liability in statement of financial position at year end	\$ <u>55,219,028</u>	<u>56,959,410</u>

The amounts recognised in the income statement are as follows:

Current service cost	\$ 1,999,641	1,721,286
Interest on obligation	8,614,616	7,770,249
Expected return on plan assets	(3,487,694)	(2,886,276)
Net actuarial losses recognised in year	883,055	2,524,200
Past service costs – vested benefits	<u>-</u>	<u>136,988</u>
	8,009,618	9,266,447
Other	<u>356,929</u>	<u>215,544</u>
Total included in income	<u>8,366,547</u>	<u>9,481,991</u>
Actual return on plan assets	\$ <u>3,382,493</u>	<u>2,463,417</u>

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

	<u>2012</u>	<u>2011</u>
Discount rate at end of year	7.75%	7.75%
Expected return on plan assets at end of year	6.50%	6.50%
Future salary increases	5.75%	5.75%
Future pension increases	3.50%	3.50%
Future pension increases (Treasury)	3.50%	3.50%
Proportion of employees opting for early retirement	10.00%	10.00%
Future changes in NIS Ceiling (0% for the 1 <sup>st</sup> 5 years)	3.50%	3.50%

# BARBADOS WATER AUTHORITY

## Notes to Financial Statements

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(Expressed in Barbados dollars)

### 14. Government grant

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

### 15. Corporation Tax

Corporation tax expense comprises:

	<u>2012</u>	<u>2011</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>2012</u>	<u>2011</u>
Accounting (loss) income before corporation taxes	\$ <u>(3,513,730)</u>	<u>5,931,305</u>
Tax at 25% (2011: 25%)	\$ (878,355)	1,482,826
Tax effect of revenue that is not assessable in determining taxable profits	(12,610)	(6,758)
Tax effect of allowable revenue	6,758	6,599
Tax effect of expenses not allowable for tax purposes	4,708,282	5,372,248
Tax effect of expenses allowable for tax purposes	(2,437,500)	(2,712,355)
Benefit of loss utilized	<u>(1,386,575)</u>	<u>(4,142,560)</u>
	\$ -	-

#### Unrecognised Deferred Tax Assets

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

	<u>2012</u>	<u>2011</u>
Deductible (taxable) temporary differences:		
Accounts receivable	\$ 41,365,646	40,679,320
Employee benefit plan	55,219,028	56,959,410
Property, plant and equipment	<u>73,119,737</u>	<u>63,339,481</u>
Net	169,704,411	160,978,211
Tax losses	<u>52,286,290</u>	<u>57,832,589</u>
	\$ <u>221,990,701</u>	<u>218,810,800</u>
Deferred taxes not recognised	\$ <u>55,497,675</u>	<u>54,702,700</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.

# BARBADOS WATER AUTHORITY

## Notes to Financial Statements

March 31, 2012

(Expressed in Barbados dollars)

### 15. 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.

<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>
2004	\$ 3,227,487	(3,227,487)	-	-	-	2013
2005	14,590,898	(2,318,812)	-	-	12,272,086	2014
2007	28,681,377	-	-	-	28,681,377	2016
2008	2,947,857	-	-	-	2,947,857	2017
2009	8,385,270	-	-	-	8,385,270	2018
	<u>\$ 57,832,589</u>	<u>(5,546,299)</u>	<u>-</u>	<u>-</u>	<u>52,286,290</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.

### 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>2012</u>	<u>2011</u>
Directors	\$	32,000	49,400
Senior Management	\$	1,498,288	1,493,406

### 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.



# BARBADOS WATER AUTHORITY

Notes to Financial Statements

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(Expressed in Barbados dollars)

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## 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 30,000m<sup>3</sup> Desalination Plant in Barbados under a "BOO" (build, own, operate) basis.

Under the agreement, the Authority purchases a minimum of 27,000m<sup>3</sup> of desalinated water per day with an option to purchase the Plant at some time in the future.

On March 31, 2011, 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.

### (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 (2011: \$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

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## 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>2012</u>	<u>2011</u>
Cash and term deposits	\$ 19,031,155	37,615,896
Customers' accounts receivable	\$ 13,681,175	14,618,200
Other assets	\$ 13,616,979	4,009,129

# BARBADOS WATER AUTHORITY

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## 20. Financial Risk Management, continued

### *Cash and term deposits*

The Authority's cash and term deposits held of \$19,031,155 (2011: \$37,615,895) 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>2012</u>	<u>2011</u>
Commerical customers	\$ 8,813,509	9,855,878
Government receivables	2,488,432	2,136,400
Residential customers	18,190,868	18,791,145
Plumbing Receivables	8,708,572	7,866,480
Private Development Receivables	16,631,090	16,123,196
Other Receivables	<u>214,350</u>	<u>524,421</u>
	<u>\$ 55,046,821</u>	<u>55,297,520</u>

### *Impairment losses*

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

	Gross <u>2012</u>	Impairment <u>2012</u>	Gross <u>2011</u>	Impairment <u>2011</u>
Current 0 – 60 days	\$ 6,299,227	-	8,453,024	-
Past due 61-180 days	4,866,085	-	2,810,411	-
Past due 181-360 days	2,245,188	-	2,794,975	-
More than 360 days	<u>41,636,321</u>	<u>41,365,646</u>	<u>41,239,110</u>	<u>40,679,320</u>
	<u>\$ 55,046,821</u>	<u>41,365,646</u>	<u>55,297,520</u>	<u>40,679,320</u>

# BARBADOS WATER AUTHORITY

Notes to Financial Statements

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## 20. Financial Risk Management, continued

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

	<u>2012</u>	<u>2011</u>
Balance as at April 1	\$ 40,679,320	38,456,500
Impairment loss recognised	<u>686,326</u>	<u>2,022,074</u>
Balance as at March 31	\$ <u>41,365,646</u>	<u>40,679,320</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

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(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
<b>March 31, 2012</b>						
Bank overdraft	\$ -	-	20,786,476	-	-	-
Accounts payable	20,786,476	20,786,476	-	-	-	-
Customers' deposits	4,365,297	4,365,297	-	4,365,297	-	-
Other	4,188,782	4,188,782	2,128,653	-	-	2,060,129
Salaries and wages	578,956	578,956	578,956	-	-	-
Long-term Debt	157,634,692	247,527,852	8,893,370	8,767,192	65,595,128	164,272,162
	\$ <u>187,443,562</u>	<u>277,447,363</u>	<u>32,387,455</u>	<u>13,132,489</u>	<u>65,595,128</u>	<u>166,332,291</u>
<b>March 31, 2011</b>						
Bank overdraft	\$ 183,185	183,185	183,185	-	-	-
Accounts payable	11,080,321	11,080,321	11,080,321	-	-	-
Customers' deposits	3,507,971	3,507,971	-	3,507,971	-	-
Other	4,215,268	4,215,268	2,155,139	-	-	2,060,129
Salaries and wages	588,463	588,463	588,463	-	-	-
Long-term Debt	165,336,620	264,795,739	8,691,050	8,576,837	67,613,976	179,913,876
	\$ <u>184,911,828</u>	<u>284,370,947</u>	<u>22,698,158</u>	<u>12,084,808</u>	<u>67,613,976</u>	<u>181,974,005</u>

# BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2012

(Expressed in Barbados dollars)

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## 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>2012</u>	<u>2011</u>
Fixed Rate Instruments		
Financial assets	\$ 2,944,820	2,919,813
Financial Liabilities	\$ 157,634,692	165,336,620
Variable Rate Instruments		
Financial assets	\$ -	-
Financial Liabilities	\$ -	-

# BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2012

(Expressed in Barbados dollars)

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## 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 \$5,639,106. 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.

## 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 2013 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 7<sup>th</sup> 2013 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 6<sup>th</sup> 2014.

# BARBADOS WATER AUTHORITY

Notes to Financial Statements

March 31, 2012

*(Expressed in Barbados dollars)*

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## 21. Subsequent Events, continued

### *Lease Plus Agreement*

On July 4, 2012, 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, 2013, 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, 2013 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.



